

LISTING APPLICATION TO
NEW YORK STOCK EXCHANGE, INC.

B-4426
July 26, 1974

INTERCO INCORPORATED

473,250 ADDITIONAL SHARES OF COMMON STOCK

MERGER OF COLLEGE-TOWN, INC. INTO INTERCO-MA INCORPORATED

Number of Shares of Common Stock issued as of June 30, 1974	Number of Common Shareholders of Record as of June 30, 1974
10,932,834	15,402
(No treasury shares are held)	

DESCRIPTION OF TRANSACTION

COLLEGE-TOWN, INC. ("College-Town") will be merged into INTERCO-MA INCORPORATED ("MA Inc."), a wholly-owned subsidiary of INTERCO INCORPORATED ("INTERCO") on or about August 23, 1974, pursuant to an Agreement and Plan of Reorganization dated as of June 24, 1974 ("Agreement").

INTERCO, through certain of its officers and employees and other agents, made an investigation and an evaluation of the financial condition, physical properties, assets, management and operation of College-Town and determined that the fair value of the stock to be acquired is at least equal to the value of the shares of INTERCO Common Stock to be delivered in the merger. In the opinion of the management of INTERCO, the transaction is beneficial to INTERCO in that it will enable INTERCO to enter a new market in the "junior" size women's apparel manufacturing business. No officer, director or principal shareholder of INTERCO or its subsidiaries had any direct or indirect beneficial interest in College-Town.

Of the total 473,250 shares to be listed hereby, a maximum of 462,500 shares will be issued to capitalize MA Inc. and a maximum of 10,750 shares will be reserved for issuance on the exercise of College-Town stock options to be assumed by INTERCO. The College-Town stock options were granted under a Qualified Stock Option Plan which Plan became effective on January 29, 1973 for a term of approximately 10 years terminating on December 31, 1982. The options granted under the plan are to be Qualified Stock Options within the meaning of Section 422 of Internal Revenue Code. The Qualified Plan covers grants to officers and key employees of College-Town and of any subsidiary more than fifty (50) percent of whose voting stock is owned by College-Town. Under the plan options are to be granted at not less than the one hundred (100) percent of the fair market value of College-Town's common stock on the date of grant. The number of shares which may be purchased under any option shall be divided into three installments and the right to purchase one such installment shall accrue upon the date one year from the date of grant of the option, and the right to purchase one further such installment shall accrue on each of the first two anniversaries of the date on which the first installment shall accrue, with the term of each option being five (5) years from date of grant or such shorter period as may be determined by the Board of Directors of College-Town, unless sooner terminated under the provisions of the Plan.

Attached hereto and incorporated herein by reference is a copy of College-Town's proxy statement dated July 22, 1974 relating to this transaction.

The acquisition of College-Town will be treated for accounting purposes as a "pooling of interests", in conformity with requirements of Accounting Principles Board Opinion No. 16. This treatment has been reviewed and approved by Peat, Marwick, Mitchell & Co., INTERCO's independent certified public accountants, as being in accordance with generally accepted accounting principles.

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RECENT DEVELOPMENTS

There have not been any important recent developments affecting the Company or its business, notice of which has not heretofore been released publicly.

AUTHORITY FOR ISSUANCE

The merger transaction, capitalization of MA Inc. and assumption of the aforesaid stock options, and the issuance of the aforesaid 473,250 INTERCO Common Shares, pursuant thereto, were approved by the Executive Committee of the Board of Directors of INTERCO on June 24, 1974 pursuant to authority given by the Board of Directors to said Committee and by the Board of Directors of MA Inc. also on June 24, 1974. The Board of Directors of College-Town approved the Agreement on June 25, 1974, with the shareholders of College-Town to approve same on August 22, 1974.

OPINION OF COUNSEL

There has been filed with the New York Stock Exchange, Inc. in support of this Application, the opinion of Ronald L. Aylward, INTERCO INCORPORATED, Ten Broadway, St. Louis, Missouri 63102, Vice-President and General Counsel of the Company, to the effect that: (a) INTERCO INCORPORATED and MA Inc. are corporations duly organized and legally existing under the laws of the State of Delaware; (b) the issuance of 473,250 additional shares of Common Stock, the listing of which applications is hereby made, has been duly authorized; (c) such shares of Common Stock will be validly issued and outstanding and fully paid and nonassessable; (d) no personal liability will attach, by virtue of ownership of such shares, under the laws of the State of Delaware (the state of incorporation of INTERCO), or the State of Missouri (the state in which INTERCO's principal place of business is located); (e) the 10,750 shares of INTERCO Common Stock issuable upon exercise of the outstanding College-Town Stock Options which are to be issued by INTERCO are exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) thereof.

Registration Statement (Registration No. 2-51421) on Form S-14, covering 466,083 shares of Common Stock (462,500 shares maximum in the merger plus 3,583 shares which are issuable on College-Town stock options currently exercisable) was filed on June 27, 1974 with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and became effective on July 22, 1974.

INTERCO INCORPORATED

By

DUANE A. PATTERSON,
Secretary

The New York Stock Exchange, Inc. hereby authorizes the listing, upon official notice of issuance, of 473,250 additional shares of Common Stock without par value of INTERCO INCORPORATED, in connection with the merger of INTERCO-MA INCORPORATED and College-Town, Inc., all as hereinabove set forth, making a total of 12,338,536 shares of Common Stock authorized to be listed.

MERLE S. WICK, *Vice President*
Division of Stock List

JAMES J. NEEDHAM, *Chairman of the Board*
New York Stock Exchange, Inc.

COLLEGE-TOWN, INC.

College-Town Drive

Braintree, Massachusetts 02184

TO OUR STOCKHOLDERS:

July 22, 1974

Your Board of Directors has unanimously approved an Agreement and Plan of Reorganization among College-Town, Inc. ("College-Town"), INTERCO INCORPORATED, a Delaware corporation ("INTERCO"), and INTERCO-MA Incorporated ("MA-Inc."), a Delaware subsidiary of INTERCO. Attached is a Notice of Special Meeting of Stockholders of College-Town to be held on August 22, 1974 to consider and vote upon the proposed transaction.

Under the proposed reorganization College-Town would be merged with and into MA-Inc. The proposed exchange ratio is 2.2 shares of College-Town Common Stock for each share of INTERCO Common Stock (or 0.4545 shares of INTERCO Common Stock for each share of College-Town Common Stock).

INTERCO is a publicly held corporation whose stock is listed and traded on the New York and Midwest Stock Exchanges. On July 17, 1974, the high and low prices for INTERCO Common Stock on the New York Stock Exchange were 24½ and 24¼, respectively.

INTERCO and its subsidiaries are engaged in manufacturing shoes and wearing apparel, including many nationally advertised brands, and retailing consumer products. Information on the nature and extent of such operations is included in the attached Proxy Statement.

Your Board of Directors and management are of the opinion that the proposed reorganization is in the best interests of the stockholders of College-Town in that as a result of the transaction they will own Common Stock which is more readily marketable and is in a company which offers greater diversity and stability.

The cost of solicitation of proxies is to be borne by College-Town and is not expected to exceed \$2,500.00 and INTERCO will pay the cost of registration of shares, including the cost of printing the within Proxy Statement.

The within Proxy Statement is also deemed to constitute a Prospectus of INTERCO for the offer of its Common Stock to the stockholders of College-Town upon the terms and conditions described therein, pursuant to the provisions of Rule 145 under the Securities Act of 1933.

As President of College-Town, I recommend that you vote in favor of the proposed transaction.

Management cordially invites you to attend the Special Meeting of Stockholders. Whether or not you expect to attend the meeting in person, you are urged to sign, date, and promptly return the enclosed proxy. A self-addressed envelope is enclosed for your convenience; no postage is required if mailed in the United States.

Cordially yours,

GERALD SIBLEY

President

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE
SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Date of the within Proxy Statement is July 22, 1974

COLLEGE-TOWN, INC.

College-Town Drive

Braintree, Massachusetts 02184

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD AUGUST 22, 1974

To Our Stockholders:

You are hereby notified that a Special Meeting of Stockholders of College-Town, Inc. ("College-Town") will be held at The First National Bank of Boston, 100 Federal Street, Boston, Massachusetts on August 22, 1974 at 2:00 P.M., Boston Time, for the following purposes:

1. To consider and vote upon a proposed Agreement and Plan of Reorganization dated as of June 24, 1974 and its related Agreement and Plan of Merger and the transaction contemplated thereby pursuant to which College-Town will be merged with and into INTERCO-MA Incorporated, a Delaware corporation ("MA-Inc."), a wholly owned subsidiary of INTERCO INCORPORATED, a Delaware corporation ("INTERCO"), and stockholders of College-Town will receive one (1) share of INTERCO Common Stock in exchange for each 2.2 shares of Common Stock of College-Town held by them (a copy of the Agreement and Plan of Reorganization is set forth as Appendix A to the Proxy Statement).
2. To transact such other business that may properly come before the meeting or any adjournment or postponement thereof, including any matter relating to or incident to the foregoing.

The Board of Directors has fixed the close of business on July 8, 1974, as the record date for the meeting. Only stockholders of record at the close of business on that date will be entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

By Order of the Board of Directors,
ARTHUR M. SIBLEY,
Clerk

July 22, 1974

IMPORTANT: All stockholders are requested to date, fill in, sign and promptly return the enclosed Proxy in the envelope accompanying this notice. Stockholders who attend the meeting who desire to do so may vote in person despite the fact that they previously have sent in their proxies.

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No person has been authorized to give any information or to make any representation, other than those contained in this Proxy Statement, in connection with the offer contained herein, and, if so given or made, such information or representation must not be relied upon as having been authorized. This Proxy Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities that are covered by this Proxy Statement in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation. The delivery of this Proxy Statement and the sale of any securities hereunder shall not imply that the information contained herein is correct at any time subsequent to its date.

SUMMARY OF PROXY STATEMENT

The following is a summary of certain information set forth in this Proxy Statement. The summary does not purport to be complete and should be read in conjunction with the more complete information referred to and the Proxy Statement as a whole.

Proposed Transaction

The Special Meeting of Stockholders has been called to consider and vote upon a proposed Agreement and Plan of Reorganization pursuant to which College-Town, Inc. ("College-Town") would become a wholly-owned subsidiary of INTERCO INCORPORATED ("INTERCO") and the College-Town Common Stock would be exchanged for Common Stock of INTERCO. The exchange ratio will be one share of INTERCO Common Stock for each 2.2 outstanding shares of Common Stock of College-Town (0.4545 shares of INTERCO for one (1) share of College-Town). There were as of July 8, 1974, 1,017,464 shares of College-Town Common Stock outstanding, but the outstanding shares may increase prior to Closing by reason of the exercise of outstanding College-Town stock options. See DESCRIPTION OF AGREEMENTS.

Voting and Appraisal Rights

Holders of record of College-Town Common Stock on July 8, 1974, are entitled to vote at the Special Meeting. The affirmative vote of two-thirds of the outstanding shares of College-Town Common Stock is required for approval of the proposal, as well as the satisfaction of other conditions. See PROXY STATEMENT and DESCRIPTION OF AGREEMENTS.

Gerald Sibley, President and Treasurer of College-Town, owns of record 286,505 shares or 28.16% of the outstanding shares of College-Town Common Stock and Arthur M. Sibley, Executive Vice-President of College-Town, owns of record 280,485 shares or 27.57% of the outstanding shares of College-Town Common Stock. See DESCRIPTION OF COLLEGE-TOWN COMMON STOCK.

Dissenting College-Town stockholders who perfect their rights in accordance with Massachusetts law will be entitled to receive the value of their College-Town stock as agreed upon with College-Town or determined by Massachusetts courts. INTERCO is not obligated to consummate the proposed reorganization if holders of more than 10% of the outstanding shares of College-Town Common Stock file written objection to the proposed reorganization and are therefore eligible to demand payment in cash for their shares. See "RIGHTS OF DISSENTING STOCKHOLDERS" herein.

Federal Tax Consequences

College-Town received an opinion dated June 24, 1974, from the law firm of Hale and Dorr that no taxable gain or loss will be recognized for Federal income tax purposes by College-Town or its stockholders, except upon the receipt of a distribution in lieu of fractional share interests.

Business of College-Town and INTERCO

College-Town is engaged in the design, manufacture and marketing of medium-priced skirts, shirts, jumpers, sweaters, and pants for the "junior" market. College-Town products are designed to be worn as separate items and as coordinates. The junior market consists primarily of girls and young women in the 15 to 25 years age group, although products designed for the junior market are also in demand by other women who prefer to wear junior styles. In 1972 College-Town introduced the Pant-her line of apparel, which embodies a more classic and sophisticated look specifically designed for the "contemporary" market, which consists primarily of women in the 25 to 35 years age group.

INTERCO is engaged principally in the manufacturing and retailing of popular-priced consumer products. For its fiscal year ended February 28, 1974, its net sales and net earnings were \$1,121,927,000 and \$47,042,000, respectively. See BUSINESS AND PROPERTIES OF INTERCO and INTERCO CONSOLIDATED STATEMENT OF EARNINGS.

Furnishing of Proxy Material

College-Town and INTERCO have each supplied the material relating to themselves which is contained in this Proxy Statement.

Market Prices

The Common Stock of INTERCO is listed on the New York and Midwest Stock Exchanges. The Common Stock of College-Town was first offered to the public on April 26, 1972 and was traded in the over-the-counter market until it was listed on the American Stock Exchange on November 17, 1972. The following table sets forth the high and low sales prices of the INTERCO Common Stock on the New York Stock Exchange and the high and low bid prices of College-Town Common Stock as traded in the over-the-counter markets between April 26, 1972 and November 16, 1972, inclusive, and thereafter the high and low sales prices of College-Town Common Stock on the American Stock Exchange for the calendar periods indicated as compiled from published sources:

	INTERCO		COLLEGE-TOWN	
	High	Low	High	Low
1972				
First quarter	55 $\frac{1}{4}$	47 $\frac{1}{2}$	—	—
Second quarter*	55 $\frac{1}{2}$	46 $\frac{1}{4}$	8 $\frac{5}{8}$	
Third quarter	49 $\frac{1}{2}$	43 $\frac{3}{4}$	10 $\frac{7}{8}$	8 $\frac{1}{8}$
Fourth quarter	52 $\frac{1}{4}$	43 $\frac{5}{8}$	13 $\frac{1}{2}$	9
1973				
First quarter	54	46	12 $\frac{3}{4}$	8 $\frac{5}{8}$
Second quarter	46 $\frac{1}{4}$	33 $\frac{3}{8}$	10 $\frac{3}{8}$	6 $\frac{3}{4}$
Third quarter	42 $\frac{1}{2}$	35	8 $\frac{7}{8}$	6 $\frac{7}{8}$
Fourth quarter	39 $\frac{7}{8}$	22 $\frac{1}{2}$	8 $\frac{7}{8}$	4 $\frac{3}{4}$
1974				
First quarter	31 $\frac{3}{4}$	23 $\frac{5}{8}$	9	5 $\frac{1}{4}$
Second quarter	29 $\frac{1}{2}$	24 $\frac{5}{8}$	11	6 $\frac{7}{8}$

* Commencing April 26 for College-Town.

The last sales price on July 17, 1974 was 24 $\frac{5}{8}$ per share for INTERCO and 10 $\frac{1}{4}$ per share for College-Town. On May 23, 1974, the day preceding the announcement of the proposed transaction, the last sales price was 25 per share for INTERCO and 8 $\frac{7}{8}$ per share for College-Town.

Comparative Per Share Data

The following tabulations set forth earnings, dividends and book values per common share of INTERCO and College-Town on historical and pro forma combined bases. The data are presented for the number of INTERCO shares which may be issued pursuant to the terms of the Agreement and Plan of Reorganization. This data should be read in conjunction with the separate consolidated financial statements of INTERCO and the financial statements of College-Town and related notes as well as the pro forma combined statements. See INDEX TO FINANCIAL STATEMENTS on page 36.

Effective exchange ratio:

The exchange ratio will be 2.2 shares of College-Town Common Stock for each share of INTERCO Common Stock (0.4545 shares of INTERCO for one (1) share of College-Town Common Stock).

Earnings Per Common Share

	Year Ended November 30,			Year Ended February 28,		Three Months Ended May 31, 1974
	1969	1970	1971	1973	1974	
INTERCO:						
Fully diluted:						
Historical	\$2.66	\$2.86	\$3.09	\$3.70	\$4.11	\$.98
Pro forma combined	2.64	2.81	3.08	3.68	4.12	.98
Primary:						
Historical	3.04	3.27	3.34	3.83	4.23	1.01
Pro forma combined	3.00	3.19	3.31	3.80	4.23	1.01

	Year Ended December 31,					Three Months Ended March 31 1974*
	1969	1970	1971	1972	1973	
College-Town: Historical	\$.96	\$.71	\$1.22	\$1.46	\$2.03	\$.44

Pro forma combined

(equivalent to 1 share of College-Town):

Fully diluted	1.20	1.28	1.40	1.67	1.87	*
Primary	<u>1.36</u>	<u>1.45</u>	<u>1.50</u>	<u>1.73</u>	<u>1.92</u>	<u>*</u>

*Sales and earnings for College-Town are seasonal in nature with first quarter sales and earnings generally substantially less than sales and earnings for the later quarters of the fiscal year. Therefore, the March 1, 1974 per share quarterly earnings (Historical \$.44; Pro forma combined: Fully diluted \$.45, Primary \$.46) are not necessarily indicative of the results for the entire year.

Dividends Per Common Share

For the Respective Periods Indicated Above

INTERCO — historical	\$1.00	\$1.10	\$1.20	\$1.25	\$1.32	\$.34
College-Town: Historical	—	—	—	—	.20	.07
Pro forma combined (equivalent to 1 share of College-Town)	<u>.45</u>	<u>.50</u>	<u>.55</u>	<u>.57</u>	<u>.60</u>	<u>.15</u>

Book Values Per Common Share At May 31, 1974

INTERCO:

Assuming liquidation of preferred stock

\$32.09

Assuming full conversion of preferred stock

32.09

Pro forma combined:

Assuming liquidation of preferred stock

31.61

Assuming full conversion of preferred stock

31.63

College-Town:

Historical (March 31, 1974)

9.20

Pro forma combined (equivalent to 1 share of College-Town):

Assuming liquidation of INTERCO preferred stock

14.07

Assuming full conversion of INTERCO preferred stock

14.10

Future Operations of College-Town

Messrs. Gerald Sibley and Arthur M. Sibley, who are presently executives of College-Town, are expected to continue in such positions pursuant to employment agreements to be delivered on or before the Closing Date. The agreements are for a three (3) year period at an annual compensation of \$100,000 to Gerald Sibley and \$75,000 to Arthur M. Sibley. On May 24, 1974, the Memorandum of Intent with INTERCO regarding the proposed merger was announced. On that same day at the Annual Meeting of the College-Town Board of Directors the basic annual compensation of Gerald and Arthur M. Sibley was increased to \$100,000 and \$75,000 respectively, effective June 1, 1974. See DESCRIPTION OF AGREEMENTS — FUTURE OPERATIONS OF COLLEGE-TOWN.

Tradeability of INTERCO Shares

The INTERCO shares issued to holders of College-Town shares at the time the merger becomes effective will be saleable by the recipients without further registration under the Securities Act of 1933 (the "Act"), except that "affiliates" of College-Town will be deemed "underwriters" (as those terms are defined under the Act) of the INTERCO shares to be received by them in the merger unless their sales of INTERCO shares are within the volume and manner of sale limitations incorporated in Rule 145(d) under the Act. "Affiliates" of College-Town in the proposed transaction will be Gerald Sibley and Arthur M. Sibley. INTERCO has agreed to undertake registrations under the Securities Act of 1933 and applicable securities laws for the "affiliates" to cover the shares received in the transaction. See Section 9.2 of Article IX of Appendix A. Additionally the "affiliates" will not sell or in any other way reduce their risk relative to the common shares received until such time as financial results covering at least 30 days of post merger operations have been published.

PROXY STATEMENT

This Proxy Statement is furnished to stockholders of College-Town, Inc. ("College-Town") in connection with the solicitation of proxies by the management of College-Town for the Special Meeting of Stockholders of College-Town to be held on August 22, 1974 and at all postponements or adjournments thereof. The approximate date on which this Proxy Statement and form of Proxy will be first sent or given to stockholders is July 22, 1974. There will be presented at the meeting a proposal to approve and adopt an Agreement and Plan of Reorganization ("Reorganization Agreement") among INTERCO INCORPORATED ("INTERCO"), INTERCO's wholly-owned subsidiary, INTERCO-MA Incorporated ("MA Inc."), certain Warranting Stockholders of College-Town and College-Town and a related Agreement and Plan of Merger ("Merger Agreement") between MA Inc. and College-Town. A copy of the Reorganization Agreement is attached to this Proxy Statement as Appendix A and a copy of the Merger Agreement is included in Appendix A as Exhibit A to the Reorganization Agreement. The Reorganization Agreement and the Merger Agreement are sometimes collectively referred to as the Agreements.

INTERCO and MA Inc. are Delaware corporations with their principal place of business at Ten Broadway, St. Louis, Missouri 63102. Their telephone number is (314) 231-1100.

College-Town is a Massachusetts corporation with its principal office at College-Town Drive, Braintree, Massachusetts 02184. Its telephone number is (617) 848-1200.

Terms of The Reorganization

The Reorganization Agreement provides that College-Town will be merged with and into MA Inc., a corporation created for this purpose. MA Inc. will be the surviving corporation and will be a wholly-owned subsidiary of INTERCO. Immediately after the merger, MA Inc. will change its name to College-Town, Inc. As a part of the merger, the College-Town Common Stock will be exchanged for shares of Common Stock of INTERCO. The exchange ratio will be one share of INTERCO Common Stock for each 2.2 outstanding shares of Common Stock of College-Town (0.4545 shares of INTERCO for one (1) share of College-Town). There were, as of July 8, 1974, 1,017,464 shares of College-Town Common Stock outstanding, but the outstanding shares may increase prior to Closing by reason for the exercise of outstanding College-Town stock options. See DESCRIPTION OF AGREEMENTS.

Reasons for the Reorganization

The Boards of Directors of College-Town and INTERCO, after careful consideration, have concluded that the proposed transaction will be advantageous to both companies and to their stockholders and have unanimously approved the Agreement. The proposed transaction was announced to the public May 24, 1974.

College-Town's directors are of the opinion that consummation of the transaction will result in the ownership by College-Town stockholders of Common Stock which is more readily marketable and is in a company offering greater diversity and stability.

From INTERCO's standpoint the transaction will enable INTERCO to enter a new market in the "junior" size women's apparel manufacturing business.

Voting of Proxies

The Board of Directors has fixed July 8, 1974 as the record date for the determination of stockholders entitled to vote at this meeting. At the close of business on July 8, 1974, there were outstanding and entitled to vote 1,017,464 shares of Common Stock of College-Town. Each share is entitled to one vote.

Shares represented by properly executed proxies will be voted in accordance with the instructions thereon, if any, and if no specification is made, the proxy will be voted in favor of the proposal set forth in the Notice of Meeting. Proxies may be revoked at any time before they are exercised by the subsequent execution and submission of a revised proxy, by written notice of revocation to the Clerk of College-Town or by voting in person at the meeting.

The cost of solicitation of proxies is to be borne by College-Town. In addition to the solicitation of proxies by mail, proxies may be solicited personally or by telephone, telegraph, or teletype by officers and regular employees of College-Town, if deemed necessary. Brokerage houses, nominees, fiduciaries, and other custodians will be requested to forward soliciting material to the beneficial owners of shares and will be reimbursed for their expenses. INTERCO will pay the cost of registration under the Securities Act of 1933, including the cost of printing this Proxy Statement.

Stockholder Quorum and Approval

The presence in person or by proxy of the holders of at least a majority of the shares of College-Town Common Stock entitled to vote constitutes a quorum for the purpose of acting on the proposed reorganization. Each outstanding share of College-Town Common Stock of record as of the close of business on July 8, 1974 will entitle the holder to one vote on all business to be conducted at the meeting.

The proposed reorganization must receive the affirmative vote of the holders of two-thirds of the outstanding shares of College-Town Common Stock. Under Delaware corporation law the Agreement is not required to be submitted to, or approved by, the stockholders of INTERCO, but may be effected by the approval of the Board of Directors of INTERCO, which approval has been given. The Board of Directors of College-Town unanimously approved the transaction on June 25, 1974.

The Board of Directors of College-Town recommends that the stockholders vote in favor of adoption of the proposed reorganization.

Principal Stockholders of College-Town

The only persons who own of record or are known by College-Town to own beneficially more than 10% of the outstanding Common Stock of College-Town are Gerald Sibley, who owns of record 286,505 shares (28.16%) and his brother, Arthur M. Sibley, who owns 280,485 shares (27.57%).

Shares of College-Town Common Stock are also owned of record by the spouses of Messrs. Gerald and Arthur M. Sibley, both individually and as Custodians of their minor children, and the beneficial ownership of some or all of such shares may be imputed to Messrs. Gerald and Arthur M. Sibley. See MANAGEMENT OF COLLEGE-TOWN — DIRECTORS .

Finders Fee

College-Town has agreed to pay D. H. Blair Securities Corporation a fee equal to 1.75% of the market value of the shares of INTERCO Common Stock received by the stockholders of College-Town, said market value being determined by multiplying the total number of said shares by the closing price of INTERCO common stock on the New York Stock Exchange on the day prior to closing. This fee is for services rendered in connection with the proposed merger and for services rendered prior to the merger. The fee is conditioned upon the effectiveness of the merger.

Furnishing of Proxy Material

College-Town and INTERCO have each supplied the material relating to themselves which is contained in this Proxy Statement.

DESCRIPTION OF AGREEMENTS

The following is a summary of certain material provisions of the Agreements. A copy of the Reorganization Agreement (including the Merger Agreement but excluding the other exhibits and schedules thereto) is attached as Appendix A hereto, and reference is made to such copy for a complete statement of the provisions of the Agreements. The aforesaid exhibits have been filed with the Securities and Exchange Commission and may be inspected and copied at prescribed rates at the Commission's principal office at 500 North Capitol Street, N.W., Washington, D.C. The following summary and all other descriptions of the Agreements contained herein are qualified in their entirety by reference to the text of the Agreements:

1. INTERCO will form a new wholly-owned subsidiary, MA Inc., for the purpose of merging College-Town with and into MA Inc. which will be the surviving corporation. After the merger, the name of MA Inc. will be changed to College-Town, Inc. As a result of this merger, INTERCO will become the sole stockholder of College-Town.
2. All outstanding shares of College-Town's Common Stock will be converted into shares of INTERCO's Common Stock based upon the formula set forth in Section 1.1 of the Reorganization Agreement.
3. If all of the conditions to the Closing of the transaction have been satisfied, the Closing will take place on August 23, 1974. If all of such conditions have not been satisfied by that date, the Closing will take place as soon thereafter as such conditions have been satisfied, but not later than October 30, 1974 without the consent of the Boards of Directors of College-Town and INTERCO. The actual date of Closing is referred to herein as the Closing Date. The Reorganization Agreement may be terminated by mutual consent of the Boards of Directors of INTERCO and College-Town whether before or after the vote of the College-Town stockholders.
4. Prior to the Closing Date College-Town will conduct its operations according to its ordinary course of business and, without the prior written consent of INTERCO, will not, other than in the ordinary course of business, incur any indebtedness, acquire or dispose of any assets, enter into any contracts to be performed in more than 60 days, increase the compensation of its executives, other than normal salary increases and bonuses; or enter into any new employee benefit plan or increase the benefits under any such existing plan. In addition, College-Town will not declare or pay any dividend on its Common Stock, (other than a regular dividend of \$.075 per share which has been declared and will be paid on August 7, 1974), or make any payments or distribution to stockholders or acquire for value any of their outstanding Common Stock.
5. It is a condition of each party's obligation under the Reorganization Agreement (see Appendix A hereto) that (a) the representations and warranties of the other party made in the Reorganization Agreement be true when made and at the Closing Date; (b) no material adverse change shall have taken place in the status of College-Town and/or INTERCO which would make the merger inadvisable or impracticable in the opinion of the respective Board of Directors; (c) the parties shall have furnished to each other certain certificates, and opinions of counsel referred to in Articles VII and X; (d) the INTERCO Common Stock to be issued and delivered to College-Town shall have been approved for listing on the New York Stock Exchange, application for which listing was made on July 16, 1974;

(e) no action shall be threatened or pending to prohibit the transaction or obtain damages or other relief in connection with the Agreements; (f) the agreements and the transaction contemplated thereby shall have been approved by the stockholders of College-Town; and (g) mutually satisfactory employment agreements have been entered into between INTERCO and Messrs. Gerald Sibley and Arthur M. Sibley. Gerald Sibley and Arthur M. Sibley have agreed to indemnify INTERCO and/or its subsidiaries for any substantial loss arising out of a breach of certain representations and warranties as set forth in Articles II and III.

There are certain further conditions to INTERCO's obligations under the Agreements, principally that the merger of MA Inc. and College-Town shall have been approved as a "pooling of interests" for accounting purposes of INTERCO by its independent public accountants, and the New York Stock Exchange shall have accepted such accounting treatment. In addition, it is a condition to College-Town's obligations under the Agreements that an opinion has been received from the law firm of Hale and Dorr, 28 State Street, Boston, Massachusetts to the effect that the transaction contemplated by the Agreement constitutes a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1954, as amended.

Any of these conditions or any other provisions of the Agreements may be waived or amended by mutual consent of the Boards of Directors of INTERCO and College-Town, whether before or after the vote of the College-Town stockholders, provided that any waiver or amendment effected after the vote of the College-Town stockholders shall not, in the judgment of the College-Town Board of Directors, affect materially and adversely the benefits of College-Town's stockholders intended under the Agreements, unless such waiver or amendment is subsequently approved by the College-Town stockholders. Any waiver or amendment of the provisions of the Reorganization Agreement also requires the approval of the warranting stockholders.

Federal Tax Consequences

College-Town has received an opinion from the law firm of Hale and Dorr to the effect that the transaction constitutes a tax-free reorganization under Section 368(a)(1)(A) of the Internal Revenue Code and that no taxable gain or loss will be recognized for Federal income tax purposes to College-Town or its stockholders (except upon sale of fractional share interests); and that the basis of and holding period for the INTERCO Common Stock received by College-Town's stockholders in the transaction will be the same as the basis and holding period applicable to their shares of College-Town Common Stock.

Manner of Converting College-Town Shares — Treatment of Fractional Share Interests — Dividends

The stock transfer books of College-Town will be closed on the Closing Date, and the holders of record of College-Town Common Stock on the date will be the stockholders entitled to convert and exchange their shares for shares of INTERCO Common Stock. Until surrendered to Mercantile Trust Company N.A., as Conversion Agent, for exchange, certificates evidencing College-Town's Common Stock will be deemed to evidence shares of INTERCO Common Stock on the exchange ratio basis. As promptly as practicable after the Closing Date College-Town will notify its former stockholders to surrender their College-Town share certificates to the Conversion Agent in exchange for INTERCO stock certificates. Fractional shares of INTERCO Common stock will not be issued. In lieu of the issuance of fractional shares of INTERCO Common Stock, the Conversion Agent shall pay to each former stockholder of College-Town otherwise entitled to a fractional share of INTERCO Common Stock an amount in cash equal to the fair market value of any such fractional share of INTERCO Common Stock to which such stockholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO Common Stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO Common Stock were sold on such Exchange.

Until such College-Town certificates are surrendered, dividends and other distributions declared on the INTERCO Common Stock will be held by the Conversion Agent. Upon surrender of such certificates, however, any withheld dividends or other distributions will be paid, without interest.

Future Operations of College-Town

INTERCO presently intends to continue the operations of College-Town as a subsidiary of INTERCO substantially as its operations are now being conducted, and with the continued employment of the present College-Town personnel, assuming satisfactory individual performance. However, future operations may indicate the advisability of other arrangements. Messrs. Gerald Sibley and Arthur M. Sibley, who are presently executives of College-Town, are expected to continue in such positions pursuant to employment agreements to be delivered on or before the Closing Date. The agreements are for a three (3) year period at an annual compensation of \$100,000 to Gerald Sibley and \$75,000 to Arthur M. Sibley.

The Board of Directors of College-Town after the merger will consist of Gerald Sibley and Arthur M. Sibley who are presently directors and officers of College-Town and Maurice R. Chambers, John K. Riedy, William L. Edwards, Jr., and Ronald L. Aylward, who are officers of INTERCO. Messrs. Chambers, Riedy and Edwards are also directors of INTERCO and Mr. Aylward is Vice-President and General Counsel of INTERCO having been elected Assistant Secretary from 1966 to 1974; appointed Associate General Counsel in 1966 and General Counsel in 1969 and elected Vice-President in 1971.

CAPITALIZATION

The following table sets forth the capitalization of INTERCO and its subsidiaries at February 28, 1974 and College-Town at March 31, 1974 and the pro forma combined capitalization after giving effect to the consummation of the proposed merger.

	Thousands of Dollars, Except Share Data		
	<u>INTERCO</u>	<u>College-Town</u>	<u>Pro Forma Combined</u>
Long-Term Debt(a):			
4% promissory installment notes, payable \$1,875,000 annually thru 1989 and balance in 1990	\$42,500	\$ —	\$42,500
6% promissory installment notes, payable \$750,000 annually, 1974-1975, \$1,250,000 annually, 1976-1979, and balance in 1980	8,625	—	8,625
4 1/4% obligation under long-term lease, payable in annual installments increasing from \$260,000 in 1974 to \$565,000 in 1991	7,165	—	7,165
Other debt at 2 1/2% to 9 1/2% interest rates, payable in varying amounts through 1993	8,478	264	8,742
Total long-term debt	<u>\$66,768</u>	<u>\$264</u>	<u>\$67,032</u>
Preferred Stock — Authorized preferred stock consists of 577,060 shares of first preferred (Series B) and 1,000,000 shares of second preferred (Series C) without par value. Such stock is summarized as follows:			
Series B — \$2.10 cumulative, with stated and involuntary liquidating value of \$40 per share; callable beginning in 1975 at \$42.10, decreasing to \$40.00 in 1985; convertible into 2 shares of common stock	11,334 Shs.	—	11,334 Shs.
Series C — \$5.25 cumulative, with stated and involuntary liquidating value of \$100 per share; callable beginning in 1975 at \$105.25, decreasing to \$100.00 in 1985; convertible into 3.0534 shares of common stock	158,359 Shs.	—	158,359 Shs.
Common Stock:			
\$7.50 stated value, 30,000,000 shares authorized	10,919,780 Shs.(b)	—	11,385,863 Shs.(b)(c)
\$1.00 par value 1,500,000 shares authorized	—	1,017,464 Shs.(d)	—

- (a) Includes portions due within one year. For additional information concerning long-term debt see Note 4 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries and Note 5 of Notes to Financial Statements of College-Town, Inc.
- (b) Excludes 921,813 shares reserved for issuance on exercise of stock options, issuance of contingent shares and conversion of preferred stock. See Note 6 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries.
- (c) Assumes the issuance of 466,083 shares (the maximum number of shares issuable) pursuant to the consummation of the Reorganization Agreement, based upon 1,017,464 College-Town shares outstanding and 7,883 shares issuable upon exercise of outstanding College-Town stock options which are currently exercisable.
- (d) Excludes 55,000 shares reserved for issuance on exercise of stock options. See Note 6(b) of Notes to Financial Statements of College-Town, Inc. INTERCO will assume the outstanding College-Town stock options upon the merger being effective, adjusting the option price and substituting INTERCO Common Stock in accordance with the exchange formula referred to in the Agreement.

Reference is made to Note 8 of Notes to Consolidated Financial Statements of INTERCO INCORPORATED and subsidiaries and Note 7 of Notes to Financial Statements of College-Town Inc. for information with respect to obligations under long-term leases of property.

INTERCO INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS

The following consolidated statement of earnings of INTERCO INCORPORATED and subsidiaries has been examined by Peat, Marwick, Mitchell & Co., independent certified public accountants, whose report is included elsewhere herein. This statement should be read in conjunction with the other consolidated financial statements of INTERCO INCORPORATED and subsidiaries and related notes included elsewhere herein.

	Thousands of Dollars, Except Share Data						
	Year Ended November 30,			Three Months Ended February 29,		Year Ended February 28,	
	1969	1970	1971	1972	1973	1974	
Sales and other income:							
Net sales (Note A)	\$ 765,295	\$ 843,465	\$ 921,534	\$ 241,441	\$ 1,051,189	\$ 1,121,927	
Other income, net	6,084	6,859	7,507	2,011	8,036	10,152	
	<u>771,379</u>	<u>850,324</u>	<u>929,041</u>	<u>243,452</u>	<u>1,059,225</u>	<u>1,132,079</u>	
Deductions:							
Cost of sales	535,816	591,564	647,395	165,635	741,901	791,247	
Selling, general and administrative expenses ...	174,213	190,320	209,255	57,189	229,548	244,915	
Interest expense	5,721	6,680	5,360	1,102	4,729	5,479	
Minority interests	390	347	322	100	379	381	
	<u>716,140</u>	<u>788,911</u>	<u>862,332</u>	<u>224,026</u>	<u>976,557</u>	<u>1,042,022</u>	
Earnings before income taxes ...	55,239	61,413	66,709	19,426	82,668	90,057	
Income taxes (Note F)	<u>27,154</u>	<u>30,627</u>	<u>32,082</u>	<u>9,161</u>	<u>40,197</u>	<u>43,015</u>	
Net earnings (Note A)	28,085	30,786	34,627	10,265	42,471	47,042	
Preferred stock dividend requirements (Note B)	2,623	2,580	1,627	268	984	866	
Net earnings applicable to common stock	<u>\$ 25,462</u>	<u>\$ 28,206</u>	<u>\$ 33,000</u>	<u>\$ 9,997</u>	<u>\$ 41,487</u>	<u>\$ 46,176</u>	
Average common and common equivalent shares outstanding (Notes C and D):							
For fully diluted earnings per share	10,573,077	10,765,782	11,195,292	11,412,626	11,476,166	11,443,922	
For primary earnings per share	8,374,063	8,632,394	9,894,650	10,604,053	10,824,942	10,925,913	
Earnings per common share (Note D):							
Fully diluted	\$2.66	\$2.86	\$3.09	\$.90	\$3.70	\$4.11	
Primary	3.04	3.27	3.34	.94	3.83	4.23	
Cash dividends per share of common stock	<u>1.00</u>	<u>1.10</u>	<u>1.20</u>	<u>.31</u>	<u>1.25</u>	<u>1.32</u>	

See accompanying notes.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF EARNINGS

(A) Net sales, net earnings, and earnings per common share as originally reported to stockholders are reconciled to amounts in the Consolidated Statement of Earnings in the following tabulation:

	Thousands of Dollars, Except Share Data				
	Year Ended November 30,			Three Months Ended February 29,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Net sales:					
Originally reported	\$706,098	\$777,886	\$847,393	\$231,829	\$1,001,817
Poolings of interests (Note E)	<u>59,197</u>	<u>65,579</u>	<u>74,141</u>	<u>9,612</u>	<u>49,372</u>
As restated	<u><u>\$765,295</u></u>	<u><u>\$843,465</u></u>	<u><u>\$921,534</u></u>	<u><u>\$241,441</u></u>	<u><u>\$1,051,189</u></u>
Net earnings:					
Originally reported	\$ 25,418	\$ 27,569	\$ 31,495	\$ 9,708	\$ 39,122
Poolings of interests (Note E)	<u>2,667</u>	<u>3,217</u>	<u>3,132</u>	<u>557</u>	<u>3,349</u>
As restated	<u><u>\$ 28,085</u></u>	<u><u>\$ 30,786</u></u>	<u><u>\$ 34,627</u></u>	<u><u>\$ 10,265</u></u>	<u><u>\$ 42,471</u></u>

(B) Preferred stock dividend requirements are provided based on outstanding preferred shares at the end of each month.

(C) The average number of common and common equivalent shares outstanding during each period includes the equivalent of the average number of common shares outstanding of companies acquired in business combinations accounted for as poolings of interests.

(D) Fully diluted earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during the periods, plus those common shares which would have been issued if conversion of all preferred stock had taken place at the beginning of each period. Common stock issuances based on profit performance and common stock options, the exercise of which would result in dilution of earnings per share, have been considered as the equivalent of common stock.

Primary earnings per share are based on those shares included in the fully diluted earnings per share calculations, except that conversion of preferred stock has not been assumed. Net earnings for this computation were reduced by preferred stock dividend requirements.

(E) Big Yank Corporation was acquired in 1972 and has been accounted for as a pooling of interests in the accompanying consolidated financial statements. Prior to December 1, 1969, the predecessor of Big Yank Corporation operated as a division of another company and the financial statements of INTERCO have been restated to include the operations of Big Yank for 1970 and 1971.

(F) The following summarizes the income taxes for the respective periods presented. Investment tax credits are reflected as a reduction of Federal income taxes for the period in which qualified property is placed in service. Deferred compensation, depreciation, profit on installment sales and certain reserves are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. Provision has been made for resulting deferred taxes and future tax benefits. In reported operating results prior to February 28, 1973, state and city income taxes were classified as operating expenses. It is the company's intent that the undistributed earnings of subsidiaries will be reinvested in the subsidiaries. Accordingly, no provision has been made for income taxes on such undistributed earnings.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED STATEMENT OF EARNINGS (Continued)

	Thousands of Dollars						
	Year Ended November 30,			Three Months Ended February 29,		Years Ended February 28,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	
Current:							
Federal	\$24,426	\$27,493	\$29,345	\$8,111	\$37,567	\$38,645	
State and city	1,265	2,116	2,137	769	3,596	3,704	
Foreign (principally Canadian)	1,614	1,288	1,523	348	1,505	1,851	
Investment tax credits, net	(275)	130	(255)	(65)	(558)	(912)	
	<u>27,030</u>	<u>31,027</u>	<u>32,750</u>	<u>9,163</u>	<u>42,110</u>	<u>43,288</u>	
Deferred	124	(400)	(668)	(2)	(1,913)	(273)	
	<u>\$27,154</u>	<u>\$30,627</u>	<u>\$32,082</u>	<u>\$9,161</u>	<u>\$40,197</u>	<u>\$43,015</u>	

The tax effect of timing differences resulting in net deferred income taxes during the year ended February 28, 1974 arose from valuation reserves and accruals not currently deductible for tax purposes, \$451,000, deferred compensation, \$172,000, and adjustments resulting from reorganization of certain subsidiaries, \$186,000, offset by accelerated methods of depreciation, \$454,000, installment sales, \$157,000, and other, net, \$15,000.

(G) Depreciation expense for the three years ended November 30, 1971, the three months ended February 29, 1972 and the two years ended February 28, 1974 was \$8,260,000, \$9,160,000, \$9,915,000, \$2,605,000, \$10,528,000 and \$11,642,000, respectively.

The following summary of results of operations of the Company for the three months ended May 31, 1973 and 1974 is unaudited; however, in the opinion of the Company, all adjustments (consisting only of normal recurring accruals) necessary to a fair statement of results have been made. Results of operations for the three months ended May 31, 1974 are not necessarily indicative of results of operations for the full year.

	Three Months Ended May 31,		(Dollars in thousands except per share)	
	<u>1973</u>	<u>1974</u>		
Net sales	\$270,726	\$293,108		
Net earnings	10,127	11,282		
Earnings per common share:				
Fully diluted	\$.88	\$.98		
Primary	<u>\$.91</u>	<u>\$ 1.01</u>		

COLLEGE-TOWN, INC.

STATEMENT OF INCOME

The following statement of income of College-Town, Inc. insofar as it relates to the five years ended December 31, 1973, has been examined by Clarence Rainess & Co., independent certified public accountants, whose report thereon appears elsewhere herein. Data for the three months ended March 31, 1973 and March 31, 1974 are unaudited but include, in the opinion of the Company, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of operating results for the unaudited interim periods. The results for the three months ended March 31, 1974 are not necessarily indicative of the results for the entire year. The statement should be read in conjunction with the other financial statements and notes thereto of College-Town, Inc. included elsewhere herein.

	For The Year Ended December 31,					For the Three Months Ended March 31,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1973</u> (Unaudited)	<u>1974</u> (Unaudited)
Net sales	\$20,205,889	\$19,692,761	\$25,003,261	\$30,013,717	\$41,191,525	\$ 8,565,437	\$10,925,832
Cost of sales	13,950,140	13,700,178	17,203,094	20,754,817	28,776,756	5,998,409	7,890,950
Gross profit	6,255,749	5,992,583	7,800,167	9,258,900	12,414,769	2,567,028	3,034,882
Selling, general and administrative expenses	4,132,929	4,553,644	5,410,160	6,303,018	7,894,689	1,829,467	2,116,981
Interest	187,179	182,770	141,580	13,680	35,043	—	—
	4,320,108	4,736,414	5,551,740	6,316,698	7,929,732	1,829,467	2,116,981
Income before income taxes	1,935,641	1,256,169	2,248,427	2,942,202	4,485,037	737,561	917,901
Provision for income taxes:							
Federal	936,311	522,639	976,951	1,269,900	1,959,742	321,000	386,000
State and local	152,551	105,260	194,234	254,444	456,545	64,000	80,875
	1,088,862	627,899	1,171,185	1,524,344	2,416,287	385,000	466,875
Net income	\$ 846,779	\$ 628,270	\$ 1,077,242	\$ 1,417,858	\$ 2,068,750	\$ 352,561	\$ 451,026
Average number of common shares outstanding	880,000	880,000	880,000	973,921	1,017,464	1,017,464	1,017,464
Per share data —							
Note A:							
Earnings	\$.96	\$.71	\$ 1.22	\$ 1.46	\$ 2.03	\$.35	\$.44
Cash dividends	—	—	—	—	\$.20	—	\$.07

NOTE A — Earnings per share are based on the weighted average number of shares outstanding for each period after giving retroactive effect to the recapitalization of December 30, 1971 and the ten percent stock dividend declared February, 1974.

Cash dividends per share are based on the current equivalent number of shares outstanding as of the record dates. Per share dividend data for the three months ended March 31, 1974, (\$.075 per share — historical: \$.07 per share — adjusted for the 10% stock dividend) excludes an additional dividend declared in February 1974 at the rate of \$.075 per share inasmuch as such second dividend was intended by management to represent the dividend declaration for the second quarter ending June 30, 1974. Such dividend has been reflected as an accrued liability on the accompanying balance sheet at March 31, 1974.

The Company attributes the decline in sales and earnings during 1970 to reduced retail buying interest as a result of general economic conditions and widespread uncertainty over skirt lengths.

PRO FORMA COMBINED STATEMENT OF EARNINGS

(Unaudited)

The following pro forma combined statement of earnings, prepared on a pooling of interests basis, presents the arithmetical combination of the consolidated statement of earnings of INTERCO INCORPORATED and subsidiaries for its three years ended November 30, 1971 and two years ended February 28, 1974, with the statement of income of College-Town, Inc., for its five years ended December 31, 1973. The financial statements of the two companies, including the notes thereto appearing elsewhere herein, should be read in conjunction with this statement.

	Thousands of Dollars				
	1969	1970	1971	1972	1973
Sales and other income:					
Net sales	\$ 785,501	\$ 863,158	\$ 946,537	\$1,081,203	\$1,163,119
Other income, net	6,084	6,859	7,507	8,036	10,152
	<u>791,585</u>	<u>870,017</u>	<u>954,044</u>	<u>1,089,239</u>	<u>1,173,271</u>
Deductions:					
Cost of sales	549,766	605,264	664,598	762,656	820,024
Selling, general and administrative expense	178,346	194,874	214,665	235,851	252,810
Interest expense	5,908	6,863	5,502	4,743	5,514
Minority interests	390	347	322	379	381
	<u>734,410</u>	<u>807,348</u>	<u>885,087</u>	<u>1,003,629</u>	<u>1,078,729</u>
Earnings before income taxes	57,175	62,669	68,957	85,610	94,542
Income taxes	28,243	31,255	33,253	41,721	45,431
Net earnings	28,932	31,414	35,704	43,889	49,111
Preferred stock dividend requirements	2,623	2,580	1,627	984	866
Net earnings applicable to common stock	<u>\$ 26,309</u>	<u>\$ 28,834</u>	<u>\$ 34,077</u>	<u>\$ 42,905</u>	<u>\$ 48,245</u>
Earnings per common share:					
Fully diluted	\$2.64	\$2.81	\$3.08	\$3.68	\$4.12
Primary	<u>3.00</u>	<u>3.19</u>	<u>3.31</u>	<u>3.80</u>	<u>4.23</u>

PRO FORMA CONDENSED COMBINED BALANCE SHEET
(Unaudited)

The following balance sheet combines the consolidated balance sheet of INTERCO INCORPORATED and subsidiaries at February 28, 1974 and the balance sheet of College-Town, Inc. at March 31, 1974 and gives effect to the assumption set forth in the note below. The pro forma condensed combined balance sheet should be read in conjunction with the respective financial statements and notes thereto of the constituent companies included elsewhere herein.

Assets	Thousands of Dollars			
	INTERCO	College-Town	Pro Forma Adjustments Add (Deduct)	Pro Forma Combined
CURRENT ASSETS:				
Cash and short-term investments	\$ 24,395	\$ 1,361	\$ 78	\$ 25,834
Accounts receivable, net	149,277	4,669	—	153,946
Inventories	245,628	7,360	—	252,988
Prepaid expenses	3,163	296	—	3,459
Future income tax benefits	2,894	—	—	2,894
Total current assets	<u>425,357</u>	<u>13,686</u>	<u>78</u>	<u>439,121</u>
Excess of investment over equity in subsidiaries at acquisition, net of amortization....	9,323	—	—	9,323
Sundry investments and other assets	6,049	428	—	6,477
Future income tax benefits	2,616	—	—	2,616
Property, plant and equipment, net	<u>103,555</u>	<u>1,282</u>	<u>—</u>	<u>104,837</u>
	<u><u>\$546,900</u></u>	<u><u>\$15,396</u></u>	<u><u>\$ 78</u></u>	<u><u>\$562,374</u></u>
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES:				
Current maturities of long-term debt	\$ 3,623	\$ 45	\$ —	\$ 3,668
Accounts payable and accrued expenses	94,825	5,009	—	99,834
Income taxes	<u>12,865</u>	<u>764</u>	<u>—</u>	<u>13,629</u>
Total current liabilities	<u>111,313</u>	<u>5,818</u>	<u>—</u>	<u>117,131</u>
Long-term debt, less current maturities	63,145	219	—	63,364
Deferred compensation and other deferred liabilities	10,156	—	—	10,156
Minority interests in subsidiaries	2,936	—	—	2,936
STOCKHOLDERS' EQUITY:				
Preferred stock	16,289	—	—	16,289
Common stock	81,898	1,017	2,479	85,394
Capital surplus	41,825	2,126	(2,401)	41,550
Retained earnings	<u>219,338</u>	<u>6,216</u>	<u>—</u>	<u>225,554</u>
Total stockholders' equity	<u><u>359,350</u></u>	<u><u>9,359</u></u>	<u><u>78</u></u>	<u><u>368,787</u></u>
	<u><u>\$546,900</u></u>	<u><u>\$15,396</u></u>	<u><u>\$ 78</u></u>	<u><u>\$562,374</u></u>

Note — The pro forma condensed combined balance sheet gives effect to the exercise of College-Town stock options for \$77,933 (7,883 shares) and the issuance of 466,083 shares of INTERCO common stock (the maximum number of shares issuable) in connection with the consummation of the proposed transaction as a pooling of interests.

BUSINESS AND PROPERTIES OF INTERCO

INTERCO INCORPORATED (the "Company") is a manufacturer of footwear and apparel and a merchandiser of various popular-priced consumer goods through retail store groups. Until the early 1960's the Company was principally a manufacturer and distributor of footwear. Since that time INTERCO has diversified its operations into general retail merchandising and apparel manufacturing. In 1966, the Company changed its name from International Shoe Company to INTERCO INCORPORATED to reflect the changing character of its business. Sales of footwear represented approximately 70% of net sales reported in that year (before restatement for poolings of interests) as compared to 43% (after restatement for poolings of interests) in the fiscal year ended February 28, 1974. (*Note). The following table sets forth for each of the Company's three major areas of business, for the periods indicated, the approximate amounts and percentages of net sales and earnings before income taxes and corporate headquarters expense, including interest costs (all dollar amounts shown in thousands):

	Year Ended November 30,											
	1969				1970				1971			
	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>
Apparel manufacturing..	\$165,716	22%	\$12,544	20%	\$208,315	25%	\$18,358	26%	\$225,485	25%	\$19,858	27%
General retail merchandising..	225,652	29	16,065	26	255,236	30	16,870	24	306,482	33	17,576	23
Footwear manufacturing and retailing	373,927	49	33,229	54	379,914	45	34,589	50	389,567	42	36,888	50
	<u>\$765,295</u>	<u>100%</u>	<u>\$61,838</u>	<u>100%</u>	<u>\$843,465</u>	<u>100%</u>	<u>\$69,817</u>	<u>100%</u>	<u>\$921,534</u>	<u>100%</u>	<u>\$74,322</u>	<u>100%</u>
Three Months Ended February 29,												
	1972				1973				1974			
	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>	<u>Sales</u>	<u>%</u>	<u>Earnings</u>	<u>%</u>
	\$49,075	20%	\$ 6,380	29%	\$ 265,988	25%	\$28,614	32%	\$ 281,148	25%	\$ 30,668	31%
Apparel manufacturing..	84,643	35	5,827	27	342,630	33	18,181	20	363,176	32	23,798	24
General retail merchandising..	107,723	45	9,460	44	442,571	42	43,642	48	477,603	43	45,697	45
	<u>\$241,441</u>	<u>100%</u>	<u>\$21,667</u>	<u>100%</u>	<u>\$1,051,189</u>	<u>100%</u>	<u>\$90,437</u>	<u>100%</u>	<u>\$1,121,927</u>	<u>100%</u>	<u>\$100,163</u>	<u>100%</u>

INTERCO is a major manufacturer and wholesaler of footwear in the United States, Canada and Australia. About 85% of the sales of shoes manufactured by INTERCO are currently made to independent retailers and department stores and the balance is made to the Company's retail stores. INTERCO's general retail merchandising business is conducted through 630 stores located throughout the United States, including junior and full-line department stores, men's specialty apparel shops, home improvement and hardware supermarts, and convenience-discount retail outlets. Over half of the Company's apparel sales is of a broad line of men's, women's and boys' casual wear which is sold to retailers under brand name. The balance consists principally of jeans and leisure clothing sold to the retail trade under private labels.

(*NOTE) On December 11, 1972 the fiscal year of INTERCO was changed so as to end on the last day of February instead of the last day of November.

The Company's various operations are conducted on a substantially autonomous basis supported by a corporate management staff located in St. Louis. Representatives of the major operating groups meet regularly with corporate management to control and plan the operations of the Company. These operations are described below in order of their group contribution to sales in the Company's last fiscal year: footwear manufacturing and retailing; general retail merchandising; and apparel manufacturing.

Footwear Manufacturing and Retailing

INTERCO has been engaged in the manufacture and sale of footwear since 1911 and has been the leading producer, in terms of dollar sales, of footwear in the United States and Canada for many years. INTERCO manufactures, wholesales, and retails men's, women's and children's footwear in most major price categories. INTERCO also sells, at wholesale and retail, footwear manufactured by others. Approximately 15% of the sales of shoes manufactured by INTERCO are sold through its own retail outlets.

The major brand names under which the Company's shoes are sold are:

<u>United States</u>			<u>Canada</u>			<u>Australia</u>
<u>Men's</u>	<u>Women's</u>	<u>Children's</u>	<u>Men's</u>	<u>Women's</u>	<u>Children's</u>	<u>Men's</u>
Florsheim	Florsheim	Poll-Parrot	Florsheim	Florsheim	Savage	Julius Marlow
Hy-Test	Thayer McNeil	Red Goose	McHale	Thomas Wallace		Florsheim
Ambassador	Personality		Rand	Denny Stewart		
Rand	Miss Wonderful		Passport			
Winthrop	diVina					
Outdoorsman	Vitality					
Worthmore	Rambler					

Many of these brands are advertised in national magazines, and a substantial amount of advertising is done in local newspapers and on local television.

During recent years competition in the footwear business has become increasingly intense. Footwear manufactured abroad has captured a greater proportion of the domestic market, primarily as the result of manufacturing labor cost advantages. In addition, styling has become an increasingly important factor in the market for men's wear.

In order to compete effectively in this environment, INTERCO has made a concerted effort to eliminate low-margin lines, to improve efficiency by consolidating older multi-story operations into one-story plants, to eliminate certain supply plants when the materials and supplies could be purchased from others on a competitive basis, and to take advantage of the Company's ability to obtain footwear made to its specifications by a number of foreign manufacturers.

INTERCO operates 41 shoe manufacturing plants (an aggregate of 2,426,069 square feet), of which 34 are located in the United States, 5 in Canada and 2 in Australia.

Distribution is made principally from modern, centrally located distribution centers. The Company owns a majority of its footwear manufacturing plants and distribution centers.

The Company operates 881 retail shoe stores and leased department operations in the United States, Canada, and Mexico. Retail sales are made through stores operated under the Florsheim and Thayer McNeil names and under various regional and local names.

General Retail Merchandising

INTERCO began to diversify its operations into the general retail merchandising business in 1964 with the acquisition of a junior department store chain located in the Midwest. Through other acquisitions as well as its own store openings, general retail sales represented approximately 32% of reported net sales for INTERCO at February 28, 1974. These operations comprise 630 stores. The majority of these locations are leased, as is much of the warehouse and administrative space necessary to support these operations.

The general retail merchandising business includes a wide range of types of stores and goods sold, and for purposes of management control and operational convenience it is presently subdivided into major operating groups. Purchases by the general retail merchandising groups of footwear and apparel manufactured by INTERCO are not substantial.

P. N. Hirsch & Co. is the most diverse of these groups. Its operations range from relatively small junior department stores in smaller communities which sell apparel, shoes, yard goods and textiles in the medium and medium-low price ranges through medium-sized department stores to a few large, traditional department stores in metropolitan areas. P. N. Hirsch & Co. operates a total of 249 stores throughout the Midwest and Northwest.

Sam Shainberg Company operates 127 junior department stores under the Shainberg's name and self-service stores under the Kent's name in the Southeast. The Shainberg's stores average approximately 10,000 to 15,000 square feet in floor area and offer retail services, credit plans, and merchandise selected and priced to attract middle income families. The Kent's stores are smaller, cash-and-carry, self-service retail operations featuring soft goods merchandised to appeal to budget-conscious customers.

Central Hardware Company is comprised of 24 home improvement and hardware supermarkets located in metropolitan areas in the Midwest and in California. These stores, which range in size from 50,000 to 70,000 square feet of floor area, are operated under the Central and Central Lin-Brook names and feature all types of hardware, lumber and other building supplies, major appliances, plumbing fixtures, sporting goods and toys. In addition, this group operates a wholesale hardware operation in the Midwest.

Eagle Family Discount Stores, Inc. operates 156 self-service units operated principally in Florida. These 6,000 to 8,000 square foot stores feature convenience items such as health and beauty aids, gardening, pool and household supplies, as well as inexpensive clothing, housewares, small appliances, hardware and toys. Approximately 30% of these items are merchandised under the Eagle name.

Fine's Men's Shops, Inc. and Standard Sportswear, Inc. operate 29 stores in Virginia, North Carolina, South Carolina, West Virginia and Pennsylvania. These stores primarily feature an extensive line of popular-priced men's sportswear and accessories.

Golde's Department Stores, Inc. operates 6 stores in Missouri and Illinois. These stores are classified as medium-sized department stores.

United Shirt Distributors, Inc. operates 39 men's apparel stores in the metropolitan Detroit, Michigan, area under the names of United and Jeans Galore. These stores, predominantly in shopping centers, carry an extensive line of popular-priced apparel and other male furnishings.

Apparel Manufacturing

In fiscal 1965 INTERCO entered the apparel manufacturing business through the acquisition of a private label manufacturer of work clothing. Since that time the Company has expanded its apparel manufacturing business through acquisition and internal growth to include a full range of branded sportswear for men and boys, as well as various private label sportswear items. On January 11, 1974 the Company acquired Devon Apparel, Inc., which manufactures and sells women's coordinated apparel

under the "Devon" and "Lady Devon" labels and under retail customer's private labels. Sales of manufactured apparel represented approximately 25% of INTERCO's reported net sales at February 28, 1974.

Approximately 40% of the Company's sales of apparel is made under its Campus brand name. This brand, which is sold primarily to independent retail stores, department stores and a few popular priced chain retailers, consists of a broad line of slacks, sport and dress shirts, knit shirts, sweaters, suits, sport-coats, outerwear, swimwear, and shorts for men, young men and boys. The merchandising emphasis is to provide the retailer with these merchandise categories in the latest fashions at competitive prices. The Campus name is also promoted directly to consumers through national magazine advertising and retail store displays. Other apparel manufacturing companies include Cowden Manufacturing Company, The Biltwell Company, Inc. and the Big Yank Corporation.

About one-third of the Company's apparel sales are made to customers under their own brand names. The most significant of these sales are of jeans and leisure clothing to national retailing companies, three of which account for a majority of such sales. Most of the Company's apparel is manufactured by it in 45 plants operated in the United States, and the balance is manufactured by others to INTERCO's order. In addition, the Company operates 8 distribution centers for its apparel business. Most of the apparel facilities are leased.

Employees

INTERCO employs approximately 43,500 persons. It is a party to collective bargaining agreements with a number of unions and their respective locals. The largest numbers of employees covered by individual collective bargaining agreements are the approximately 4,075 employees covered by an agreement with the Boot & Shoe Workers Union and the approximately 9,375 employees covered by an agreement with the United Shoe Workers of America. Both of these agreements expire on September 30, 1974.

The Company contributes to various pension plans maintained by unions with which it has collective bargaining agreements and also contributes to pension plans which it maintains for certain of its salaried and hourly rated employees.

Competition

In the shoe and apparel businesses, the Company is subject to substantial competition from foreign as well as domestic manufacturers. In addition, significant styling changes can affect the acceptance of certain of the Company's product categories. In the retailing business, the Company competes with other retailing companies (including some companies which are substantially larger than the retailing division of the Company) for store locations as well as for the procurement of merchandise.

Litigation

INTERCO is a defendant and may become a defendant in a number of pending or threatened legal proceedings in the ordinary course of business. In the opinion of Ronald L. Aylward, Vice-President and General Counsel of the Company, the ultimate liability, if any, of the Company from all such proceedings will not have a material adverse effect upon the financial position or results of operation of the Company.

INTERCO is subject to a cease and desist order issued by the Federal Trade Commission in 1959 and consented to by INTERCO pursuant to which the Company may not require any purchaser of its footwear to deal exclusively in its products.

Energy Sources

The current energy situation has not had a material effect on the Company. The long range impact of the energy situation is unknown.

MANAGEMENT OF INTERCO

Directors

The following table sets forth certain information with respect to the directors of INTERCO, all of whom were elected at the annual meeting of stockholders held on June 17, 1974 to hold office until the next annual meeting of stockholders or until their successors are elected and qualified.

<u>Name</u>	<u>Position with Company or Other Principal Occupation</u>	<u>Year First Became a Director (2)</u>	<u>Shares of Common Stock Beneficially Owned Directly or Indirectly on May 31, 1974 (3)</u>
			<u>Common</u>
Maurice R. Chambers	Chairman of the Board and Chief Executive Officer(1)	1957	6,264
Stanley M. Cohen	Vice-President, also President of Central Hardware Company(1)	1967	17,819
Webster L. Cowden	Vice-President, also Chairman of the Board of Cowden Manufacturing Company (until his retirement July 8, 1974)	1965	8,200
William L. Edwards, Jr.	Senior Executive Vice-President and Chief Administrative Officer(1)	1970	3,225
Richard P. Hamilton	Vice-President, also President of The Florsheim Shoe Company	1972	2,500
Philip N. Hirsch	Vice-President, also Chairman of the Board of P. N. Hirsch & Company(1)	1964	17,761
J. Lee Johnson	Retired(1)	1937	84,500
Edwin S. Jones	Chairman of the Board and President First Union, Incorporated and Chairman of the Board of First National Bank in St. Louis. On June 20, 1974, St. Louis Union Trust Company, a subsidiary of First Union, Incorporated, in various fiduciary capacities was the owner or holder of 902,513 shares of INTERCO INCORPORATED Common Stock and 50 shares of INTERCO INCORPORATED Series B First Preferred Stock.	1970	200
Donald E. Lasater	Chairman of the Board of Mercantile Bancorporation Inc. and Mercantile Trust Company National Association, St. Louis, Missouri. On June 20, 1974, said trust company in various fiduciary capacities was the owner or holder of 1,071,169 shares of INTERCO INCORPORATED Common Stock.	1970	200
Norfleet H. Rand	Vice-Chairman of the Board and Treasurer(1)	1956	135,036
John K. Riedy	President and Chief Operating Officer(1)	1967	10,125
Edward J. Riley	Vice-President, also President of International Shoe Company(1)	1962	9,000
Herbert Shainberg	Retired	1967	67,872

(1) Presently member of Executive Committee.

(2) Each director has served continuously since first elected.

(3) The securities "beneficially owned" by the directors are determined in accordance with the definition of "beneficial ownership" as set forth in the releases of the Securities and Exchange Commission and, accordingly, may include securities owned by and for, among others, the wife and/or minor children of the director.

Remuneration of Directors and Officers

The following information is furnished as to the aggregate remuneration paid or set aside by the Company and its subsidiaries to, or for the benefit of, the following persons, for services in all capacities during the Company's last fiscal year ended February 28, 1974:

1. Each person who was a director of the Company at any time during such fiscal year, and whose aggregate remuneration, exclusive of pension, retirement and similar payments, exceeded \$40,000.
2. Each person who was one of the three highest paid officers of the Company during such fiscal year, and whose aggregate remuneration, exclusive of pension, retirement and similar payments exceeded \$40,000.
3. All persons, as a group, who were directors or officers of the Company at any time during such fiscal year.

<u>Name of Individual or Identity of Group</u>	<u>Capacities in which Remuneration was received</u>	<u>During year ended Feb. 28, 1974</u>	
		<u>Aggregate Direct Remuneration(1)</u>	<u>Deferred Compensation Credited(2)</u>
Maurice R. Chambers	Chairman of the Board and Chief Executive Officer	\$126,224	\$112,978
Stanley M. Cohen	Vice-President, also President of Central Hardware Company	120,000	
Webster L. Cowden	Vice-President, also Chairman of the Board of Cowden Manufacturing Company (until his retirement July 8, 1974)	105,400	
William L. Edwards, Jr.	Senior Executive Vice-President and Chief Administrative Officer	77,000	10,500
Richard P. Hamilton	Vice-President, also President of The Florsheim Shoe Company	120,500	
Philip N. Hirsch	Vice-President, also Chairman of the Board of P.N. Hirsch & Company	153,732	
Samuel S. Kaufman	Vice-President, also Chairman of the Board of Campus Sweater & Sportswear Company	73,026	
Norfleet H. Rand	Vice-Chairman of the Board and Treasurer	60,927	
John K. Riedy	President and Chief Operating Officer	104,371	45,000
Edward J. Riley	Vice-President, also President of International Shoe Company	171,853	
Herbert Shainberg	Vice-President, also Chairman of the Board of Sam Shainberg Company (until his retirement February 2, 1974)	50,800	2,884
21 Officers and Directors as a Group	Directors and/or officers of the Company and subsidiaries	1,368,088	173,862

(1) Aggregate Direct Remuneration includes salary and cash bonuses paid and/or accrued during the year.

(2) Amounts Set Aside for Deferred Remuneration — The deferred remuneration credited to Mr. Chambers deferred compensation account brings the total amount in the account to \$745,403. This is payable in 15 annual installments after retirement.

A deferred remuneration plan was provided for Mr. Cowden for the period ended November 30, 1972. Earnings and losses of the fund and other transfers brought the total amount standing to his credit to \$122,131. Amounts credited are payable upon retirement over a period of ten years, or by purchase of life insurance and/or annuity contracts.

The deferred remuneration credited to Mr. Edwards' deferred compensation account brings the total amount in the account to \$13,000. This is payable over a period of ten years after retirement.

A five-year deferred remuneration plan was provided for Mr. Hirsch for the period ended January 31, 1969. The plan provided that deferred compensation credited would be payable five years after the close of the fiscal year with respect to which credit was made. A final payment of \$53,732 was made during the 1974 fiscal year, completing payments under the plan.

The deferred remuneration credited to Mr. Riedy's deferred compensation account brings the total amount in the account to \$237,054. This is payable over a period of ten years after retirement.

A deferred remuneration plan is provided for Mr. Shainberg under the deferred profit sharing plan of Sam Shainberg Company. The deferred remuneration credited for Mr. Shainberg during the year, with losses and earnings of the fund and other transfers, brought the total amount standing to his credit to \$105,984. Sam Shainberg Company also contributed \$11,668 to a retirement fund for Mr. Shainberg, bringing the total standing to his credit in that fund to \$122,243.

The Company has an employment contract with Stanley M. Cohen at the current salary rate of \$60,000 per annum. The contract will expire in 1977.

Deferred Compensation

Pursuant to a deferred compensation incentive agreement covering a five year period ended January 5, 1970, the following amounts stand credited to special deferred compensation accounts for the individuals designated: Maurice R. Chambers \$333,000; Richard P. Hamilton \$6,938; Norfleet H. Rand \$138,750; John K. Riedy \$55,500; and Edward J. Riley \$277,500. The amounts credited, which had been fully accrued at November 30, 1969, by charges against income during the years since the plan was established, become payable in 120 monthly installments upon termination of employment. After attaining age 55 participants in the plan receive supplemental cash benefits annually based upon the amount in the respective deferred compensation accounts. During the year supplemental cash benefits were paid and/or accrued as follows: Maurice R. Chambers \$26,224; Norfleet H. Rand \$10,927; John K. Riedy \$4,371; and Edward J. Riley \$21,853. These amounts are included in the table indicating Aggregate Direct Remuneration.

Retirement Program

Group Annuity — Noncontributory and Insured

The Company has a group annuity plan which has been in effect since January 1, 1941. It is insured with Metropolitan Life Insurance Company. It applies to executive and administrative employees who are employed by the Company before reaching age 50. Benefits are payable at age 65 and thereafter. If because of sickness or other extenuating cause retirement is granted within ten years of age 65, payments may commence on a reduced basis. This reduced basis consists of a percentage of the then purchased annuity as provided under the contract. Prior to January 1, 1968, the employee contributed approximately 40% of the cost of retirement insurance. On January 1, 1968 the plan was changed to a non-contributory plan and since that date, the entire cost has been borne by the Company.

The group annuity integrates with social security and is intended to be approximately a 2% per year plan on the amount of salary in excess of \$6,000 per annum.

On February 28, 1974, there were 851 employees (including directors and officers) participating in the plan.

The following table illustrates the benefits commencing at age 65 that accrue for a continuous salary for certain periods of coverage:

Annual Salary for Number of Years Shown	Annual Benefits for Years of Service Indicated				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 5,000	\$ 724	\$ 964	\$ 1,204	\$ 1,444	\$ 1,684
10,000	2,156	2,876	3,596	4,316	5,036
25,000 and up	6,660	8,880	11,100	13,320	15,540

Supplemental Retirement Plan — Noncontributory and Unfunded

In order to make the transition from active employment to retirement less abrupt the Company has a supplemental noncontributory unfunded retirement plan which pays a certain amount in excess of the combined group annuity and the Federal Old-Age Benefits sufficient to raise the total to 50% of the employee's highest salary during the five years immediately preceding age 65 for the first year of retirement after reaching age 65, and then it declines each year 5 percentage points until 20% is reached for 15 years of service — 25% for 25 years service — 30% for 30 years of service and 33½% for 35 years or more of service. The supplemental plan was formalized during the fiscal year 1960. Prior to that time all such benefits were voluntary and cancellable. Now the employee's entitlement to benefits payable on reaching age 65 vests at age 60. The Company may arrange for early retirement (before age 65) with the commencement of supplemental benefits on a reduced basis comparable to the basis of early retirement provided for in the group annuity contract. This plan is effective with respect to retirements occurring after April 30, 1960.

Assuming a Federal Old-Age Benefit of \$275 per month the schedule of supplemental benefits, relating to the group annuity table shown above, for the first year of retirement after reaching age 65, is illustrated in the following table:

Annual Salary for Number of Years Shown	Annual Supplemental Benefits				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 25,000	\$ 2,540	\$ 320	\$ 0	\$ 0	\$ 0
50,000	15,040	12,820	10,600	8,380	6,160
75,000	27,540	25,320	23,100	20,880	18,660
100,000	40,040	37,820	35,600	33,380	31,160
125,000	52,540	50,320	48,100	45,880	43,660
150,000	65,040	62,820	60,600	58,380	56,160

By the seventh year of retirement the schedule of supplemental benefits would be reduced to the following table and will be payable until the death of the retired employee:

Number of Years Shown Annual Salary for	Annual Supplemental Benefits				
	15 yrs.	20 yrs.	25 yrs.	30 yrs.	35 yrs.
\$ 50,000	\$ 40	\$ 0	\$ 0	\$ 0	\$ 0
75,000	5,040	2,820	4,350	5,880	6,160
100,000	10,040	7,820	10,600	13,380	14,493
125,000	15,040	12,820	16,850	20,880	22,827
150,000	20,040	17,820	23,100	28,380	31,160

All supplemental payments stop at the end of the month in which the death of the employee occurs.

Stock Options

During the period commencing March 1, 1973 and ending May 31, 1974 the following options to purchase, at the market price of the stock on the date of grant, Common Stock of the Company were granted:

Name of Director or Officer	Number of Shares	Average Per Share Option Price
Maurice R. Chambers	10,000	\$43.125
William L. Edwards, Jr.	5,000	41.375
John K. Riedy	5,000	41.375
All Directors and Officers as a Group	23,250	42.13

During the period commencing March 1, 1973 and ending May 31, 1974, the following options were exercised:

Name of Director or Officer	Number of Shares	Aggregate Purchase Price	Aggregate Market Value of Shares on Date Options Exercised
Philip N. Hirsch	5,000	\$70,000	\$176,563
All Directors and Officers as a Group	5,000	70,000	176,563

The following table shows options outstanding May 31, 1974:

Name of Director or Officer	Number of Shares	Average Per Share Option Price
Maurice R. Chambers	10,000	\$43.125
Stanley M. Cohen	3,500	29.25
William L. Edwards, Jr.	14,375	38.85
Richard P. Hamilton	7,500	40.90
John K. Riedy	19,375	37.31
Edward J. Riley	6,500	44.54
All Directors and Officers as a Group	67,500	39.693

In connection with the exercise of an option to purchase 1000 shares of Common Stock of the Company, Ronald L. Aylward, Vice President and General Counsel, borrowed \$25,000 on December 1, 1971 from a subsidiary of the Company which makes loans to employees for that purpose. The loan is secured by a pledge of 1,234 shares of Common Stock and as of May 31, 1974, \$8,700 was owed plus 8% interest per annum.

Certain Transactions

Webster L. Cowden, a vice-president and director of the Company and chairman of the board of its subsidiary Cowden Manufacturing Company (until his retirement July 8, 1974), and his associates own a controlling interest in corporations which lease to Cowden Manufacturing Company a factory building at Morehead, Kentucky, a factory building at Mt. Sterling, Kentucky, two factory buildings at Lancaster, Kentucky, and an office building at Lexington, Kentucky. The current annual rental for these properties for the fiscal year 1974 was \$109,278, of which Mr. Cowden's gross interest amounted to \$82,578. Four of the five leases involved provide for the payment of real estate taxes by the landlord, and two of the leases provide for insurance coverage at the expense of the landlord. All five of the leases have approximately 5 years to run and provide that the tenant shall maintain the properties. The provisions are favorable to the subsidiary when compared to leases with non-affiliated persons.

Herbert Shainberg, a director of the Company (and until his retirement February 2, 1974, a vice-president of the Company and a chairman of the board of its subsidiary Sam Shainberg Company), and his associates are participants in partnerships or own all of the stock of corporations which lease to subsidiaries of Sam Shainberg Company six retail store buildings located in Memphis, Union City, and Dyersburg, Tennessee. The current annual rental for these properties during the fiscal year 1974 was \$123,000, of which Mr. Shainberg's gross interest amounted to \$38,080. All of the leases provide for payment of taxes, insurance, maintenance and repairs by the landlord. The provisions are favorable to the subsidiary when compared to leases with non-affiliated persons.

BUSINESS AND PROPERTIES OF COLLEGE-TOWN

General

College-Town is engaged in the design, manufacture and marketing of medium-priced skirts, shirts, jumpers, sweaters, and pants for the "junior" market. The junior market consists primarily of girls and young women in the 15 to 25 years age group, although products designed for the junior market are also in demand by other women who prefer to wear junior styles. In 1972 College-Town introduced the Pant-her line of apparel, which embodies a more classic and sophisticated look specifically designed for the "contemporary" market, which consists primarily of women in the 25 to 35 years age group. The College-Town products are designed to be worn as separate items and as coordinates.

Manufacturing

College-Town's manufacturing facilities are located at College-Town Drive in Braintree, Massachusetts.

In order to achieve flexibility, College-Town uses over 100 contractors, located primarily in the northeastern United States, in its manufacturing operations. For substantially all items, initial production operations consisting of pattern-making and fabric cutting are performed at the Braintree plant, and sewing, finishing and pressing operations are performed by contractors. In the case of sweaters, yarn is purchased by College-Town, and all knitting and manufacturing operations are performed by contractors. Finished goods are delivered to the Braintree plant, where they are inspected, grouped and shipped to customers.

Distribution

College-Town sells to approximately 4,000 active accounts, principally to the sportswear and junior departments of leading specialty and department stores throughout the United States. Customers generally include the leading stores in a particular locality. College-Town's business does not depend on a single customer, or very few customers, to any material degree. During 1973 no one customer accounted for more than 2% of total sales.

The business of College-Town is of a seasonal nature. Inventory is accumulated during the late spring and early summer months in anticipation of peak selling season in late summer and early fall. Because of the seasonal nature of its business, its products are subject to rapid obsolescence if not delivered on time. A great deal of time, therefore, is devoted to production scheduling.

College-Town services its customers by means of 11 full-time resident salesmen in its New York City showroom and 37 exclusive, independent sales representatives with offices and showrooms in Atlanta, Dallas, Pittsburgh, San Francisco, Chicago, Charlotte, Minneapolis, Los Angeles, Miami, New York and Boston.

Competition

The fashion apparel business in which College-Town is engaged is highly competitive. There are many companies engaged in the business, and College-Town believes that no single producer accounts for more than a small percentage of the fashion apparel production in the United States. While there are a number of companies whose sales to the junior market may exceed those of College-Town, the Company believes it is among the five largest suppliers of sportswear designed primarily for the junior market. Through its Pant-her line, College-Town is one of the leading producers of clothes for the "contemporary" market which, however, is only a small part of the clothing market for women in the 25-35 years age groups. College-Town is not aware of any serious disadvantages which it faces in meeting the intense competition in the apparel industry.

Since College-Town believes no company in the apparel industry has been able to sustain a long-term record of growth and profitability in pursuit of experimental and highly innovative fashion, College-Town prefers to operate in what it calls "the mainstream of fashion". In a period of uncertainty, retailers tend to consolidate resources and lean heavily on those suppliers that can be relied upon to service their needs despite the fluctuations of the business cycles. College-Town believes that it enjoys a reputation for dependable quality as a result of its efforts to maintain quality control.

Supplies and Resources

Piece goods, yarns and other raw materials are purchased from a number of major textile mills. College-Town has no long-term arrangements with any supplier, and it has experienced no difficulty to date in obtaining the necessary materials and piece goods for its operations. By purchasing from the largest, most reliable textile mills and converters on a programmed basis, College-Town attempts to minimize production disruption due to late or non-delivery of fabrics. During 1973 one supplier accounted for 12% of the raw materials purchased by College-Town. No other single supplier accounted for more than 10% of College-Town's purchases.

Shortages of petrochemicals which represent an important base material for most synthetic fibers and dyestuffs, have led to certain price increases in response to higher feed-stock costs. College-Town will continue its policy of anticipating its raw material requirements well in advance. By maintaining as its major sources those mills best able to prevail in periods of short supply, College-Town expects no difficulty in obtaining textiles during 1974.

Employees

College-Town employs approximately 350 persons of whom approximately 140 are production workers. College-Town has contracts with the International Ladies' Garment Workers Union covering certain of its employees. As is the case throughout the industry, College-Town's dealings with its contractors and certain of its employees are governed by regulations or contracts with the Union. Previous contracts between College-Town and the Union have been negotiated without any work stoppage, and College-Town's relations with employees and the Union have been satisfactory.

Properties

The following table sets forth the location, size and principal use of College-Town's major facilities.

<u>Location</u>	<u>Approximate Square Feet</u>	<u>Usage</u>
Braintree, Massachusetts	172,000 square feet	Executive Offices, cutting operations, and warehouse.
New York, New York	8,000 square feet	Showroom

College-Town's building in Braintree includes an addition of 57,000 square feet completed in 1972. The original structure was completed in 1966. The entire building is of cinder-block and steel construction. The building is leased under an agreement expiring in 1992 and is subject to renewal options of up to fourteen (14) additional years. The pattern-making and fabric cutting operations are performed at Braintree on the basis of one-shift per day, five days per week.

The space in New York is leased under a ten-year agreement, expiring in 1980 and is used as a showroom for College-Town's products. In addition, College-Town leases 10,000 square feet of warehouse space in Braintree, Massachusetts under a two-year lease. Management considers its facilities to be in good condition and adequately maintained and suitable for their present use.

MANAGEMENT OF COLLEGE-TOWN

Directors

The following table sets forth certain information with respect to the directors of College-Town, all of whom were elected at the annual meeting of stockholders held on May 24, 1974, to hold office until the next annual meeting of stockholders and until their successors are duly elected and qualified.

Name and Principal Occupation	First Became Director	Common Stock Beneficially Owned at June 26, 1974 (1)
Gerald Sibley President and Treasurer	1966	306,085
Arthur M. Sibley Executive Vice President and Clerk	1966	305,975
William Packer Vice President - Finance	1969	13,343
Norman B. Asher Partner, Hale and Dorr; Attorneys; Boston, Mass.	1971	1,540
Sigmund Wahrsager Partner, Bear, Stearns & Co., Investment Bankers; New York, N.Y.	1972	4,400
Jacob Saliba President, Katy Industries, Inc., a diversified service and manufacturing company; Boston, Mass.	1974	0

(1) The number of shares stated as being owned beneficially includes shares believed to be held beneficially by spouses and minor children; the inclusion herein of any such shares, however, does not constitute an admission by the directors that they are direct or indirect beneficial owners thereof.

Additional Information Concerning Directors and Officers

The following table sets forth information as to each director and each of the three highest paid officers of College-Town whose aggregate direct remuneration from College-Town and its subsidiaries amounted to or exceeded \$40,000 for the fiscal year ended December 31, 1973 and the aggregate direct remuneration of all directors and officers of College-Town as a group.

Name of Individual or Identity of Group	Capacities in Which Remuneration was Received	Aggregate Direct Remuneration (1)
Gerald Sibley	President and Treasurer	\$ 75,000
Arthur M. Sibley	Executive Vice President	52,000
William Packer	Vice President - Finance	40,000
John Wolf	Vice President - Marketing	93,566 (2)
All directors and officers as a group (six persons)		260,566

(1) Effective June 1, 1974, the annual salaries of Messrs. Gerald Sibley, Arthur M. Sibley and William Packer were increased to \$100,000, \$75,000 and \$50,000, respectively.

(2) Includes a bonus paid to Mr. Wolf pursuant to the bonus arrangement College-Town established for him in 1973. For 1974 Mr. Wolf will receive basic salary and allowance of \$61,080 and payment of bonuses aggregating up to \$20,000 if sales objectives for certain product lines are attained, and an additional $\frac{1}{2}$ of 1% of the amount by which net sales exceed College-Town's sales objective for the year.

Stock Options

The following table shows as to each director and officer and to all directors and officers as a group (i) the number of shares of Common Stock subject to options and the number subject to options granted since the beginning of the last fiscal year and (ii) the per share option price. At June 30, 1974, no such options had been exercised.

**Granted January 29, 1973 to June 30, 1974 and
Outstanding as of June 30, 1974**

<u>Name</u>	<u>Number of Shares</u>	<u>Per Share Option Price</u>
William Packer	2,200	\$9.89
John Wolf	2,750	9.89
All directors and officers as a group (seven persons)	4,950	9.89

Pursuant to the Reorganization Agreement INTERCO will assume the outstanding College-Town stock options upon the merger being effective, adjusting the option price and substituting INTERCO Common Stock for College-Town Common Stock in accordance with the exchange formula referred to in the Reorganization Agreement.

DESCRIPTION OF CAPITAL STOCK OF INTERCO

The following statements are brief summaries of certain provisions of the Composite Articles of Incorporation of INTERCO, which are filed with the Securities and Exchange Commission.

INTERCO has three authorized classes of Capital Stock: Common Stock, without par value; First Preferred Stock, without par value and Second Preferred Stock, without par value. Both classes of Preferred Stock are issuable in series and there are presently outstanding one series of First Preferred Stock and one series of Second Preferred Stock.

Common Stock

The holders of Common Stock have one vote for each share held of record and are entitled, voting together with the holders of Preferred Stock as described below, to cumulate votes for the election of directors. Upon any liquidation, dissolution or winding-up of INTERCO, and after the holders of the outstanding Preferred Stocks have been paid the amounts to which they are entitled, the holders of Common Stock are entitled to the remaining net assets of INTERCO.

Subject to the rights of holders of the Preferred Stocks and certain restrictions contained in the Loan Agreement with respect to the Company's outstanding 4½% Promissory Installment Notes (see "Capitalization"), the holders of Common Stock are entitled to receive dividends when and as declared by the Board of Directors out of any funds legally available therefor. Retained earnings of \$43,810,000 are restricted, under the Loan Agreement, as to the payment of cash dividends on capital stock and the purchase, redemption or retirement of capital stock. Further, no dividend payments may be made unless, after giving effect thereto, consolidated working capital will be at least \$80,000,000.

The outstanding shares of Common Stock are fully paid and non-assessable, and the shares of newly issued Common Stock offered hereby, when issued in accordance with the Agreements, will be fully paid and non-assessable. No holder of Common Stock is entitled as a matter of right to purchase any shares of capital stock, obligations, warrants, or other securities of INTERCO of any class, whether now or hereafter authorized.

Preferred Stock

There are set forth below certain provisions relating to the Preferred Stocks which may affect the rights of the holders of Common Stock.

Priority — Shares of the Preferred Stocks rank senior to the Common Stock as to dividends and liquidation. The holders of Series B First Preferred Stock and Series C Second Preferred Stock are entitled to receive, in preference to the Common Stock, cumulative dividends in the amounts of \$2.10 per share, and \$5.25 per share, respectively. Upon any liquidation, dissolution or winding-up of INTERCO, the holders of the Series B First Preferred Stock and Series C Second Preferred Stock are currently entitled to receive before any payment or distribution is made to holders of Common Stock, \$42.10 per share, and \$105.25 per share, respectively, if the liquidation is voluntary; \$40 per share, and \$100 per share, respectively, if the liquidation is involuntary, together in each case with accrued dividends.

Conversion Rights — The outstanding shares of Preferred Stock of each series are convertible into shares of Common Stock, as set forth under "Capitalization."

Voting Rights — The holders of the outstanding Preferred Stocks have the following votes for each share held of record: Series C Second Preferred Stock, one vote; and Series B First Preferred Stock ½ of one vote. The holders of the Preferred Stocks are entitled to vote together with the holders of Common Stock, without regard to class, on all matters to be voted upon by stockholders (cumulatively for the election of directors), except as required by law and except that (i) if quarterly dividends payable to either class of Preferred Stock are in default, the holders of both classes thereof,

voting together as a single class, are entitled to elect two members of the Board of Directors and the holders of Common Stock voting as a class are entitled to elect the remaining directors, and (ii) the separate vote of the holders of the outstanding shares of a class of Preferred Stock, without regard to series, is necessary for: (a) any increase in the authorized number of shares of such class of Preferred Stock, (b) the authorization of a new class of stock ranking prior to or on a parity with such class of Preferred Stock as to dividends or distribution of assets, and (c) an alteration or change in the designation of the powers, preferences or rights of the holders of such class of Preferred Stock so as to adversely affect that class of Preferred Stock.

DESCRIPTION OF COLLEGE-TOWN COMMON STOCK

College-Town is authorized to issue 1,500,000 shares of Common Stock, par value \$1.00 per share, of which 1,017,464 were issued and outstanding as of July 8, 1974. All of the outstanding shares of Common Stock are fully paid and nonassessable.

Dividend Rights

Dividends may be paid on the Common Stock at the discretion of the Board of Directors out of any funds of College-Town legally available therefor.

Voting Rights

Each holder of Common Stock is entitled to one vote for every share of Common Stock outstanding in his name on the books of College-Town.

Liquidation Rights

Upon any distribution of the assets of College-Town, the holders of the Common Stock share ratably in the assets of College-Town available for distribution after payment of all indebtedness.

Other Provisions

No holder of Common Stock has any preemptive rights to subscribe for any securities of College-Town. No shares of the Common Stock have any sinking fund provisions, conversion rights or redemption provisions.

Transfer Agent and Registrar

The First National Bank of Boston is the transfer agent and the registrar for the Common Stock of College-Town.

Listing

College-Town's Common Stock is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and is listed and traded on the American Stock Exchange.

RIGHTS OF DISSENTING STOCKHOLDERS

Any stockholder of College-Town who (a) files a written objection to the proposed reorganization with the Clerk of College-Town before taking of the vote thereon at the Meeting and (b) who does not vote his shares in favor of the proposed reorganization may require College-Town to purchase his shares and to pay him the fair market value thereof in cash. A stockholder's failure to vote against the proposed reorganization will not constitute a waiver of this right. However, since a Proxy left blank will be voted FOR the proposed reorganization, a stockholder who votes by Proxy must vote against the proposed reorganization if he intends to invoke his right to have shares purchased by College-Town. In addition, he must file a written objection to the merger before the taking of the vote thereon at the Meeting.

Within ten days after the consummation of the proposed reorganization, College-Town is required to notify each objecting stockholder of College-Town by registered or certified mail at his last known address that the proposed reorganization has become effective. Thereafter, any stockholders of College-Town who have filed with College-Town a written objection to the proposed reorganization prior to the taking of the vote thereon, and whose shares have not been voted in favor of the proposed reorganization, have the right to demand payment for his shares in cash by notifying College-Town in writing within twenty days after the date of the mailing by College-Town to stockholders of College-Town of the notice referred to above.

College-Town is required to make payment to any such dissenting stockholders within thirty days after the date of the written notice from said stockholder.

In the event any dissenting stockholder and College-Town shall fail to agree on the value of the shares of College-Town Common Stock during the thirty day period after the date of the mailing of the notice by any such dissenting stockholder to College-Town as set forth above, the statute provides that a bill in equity may be brought for the determination of said value in the Superior Court of the Commonwealth of Massachusetts within four months after the expiration of said thirty day period. Any stockholder pursuing his rights of appraisal will not be entitled to notice of meetings of stockholders, to vote his stock for any purpose, or to receive dividends or other distributions on his stock.

Neither a vote against the proposed reorganization nor a proxy directing such vote will be deemed to satisfy the requirement that written objection be filed with College-Town prior to the taking of the vote thereon.

The foregoing statement is a summary of the provisions of Sections 85 through 98, inclusive, of Chapter 156B of the General Laws of Massachusetts, the full text of which is set forth in Appendix B of this Proxy Statement.

EXPERTS

The consolidated financial statements of INTERCO INCORPORATED and subsidiaries for the three years ended November 30, 1971, three months ended February 29, 1972 and two years ended February 28, 1974, appearing in this Proxy Statement have been examined by Peat, Marwick, Mitchell & Co., independent certified public accountants, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

The financial statements of College-Town, Inc. for the five years ended December 31, 1973, appearing in this Proxy Statement have been examined by Clarence Rainess & Co., independent certified public accountants, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

This Proxy Statement does not contain all of the information set forth in the Registration Statement filed by INTERCO with the Securities and Exchange Commission, Washington, D.C., pursuant to the Securities Act of 1933, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the securities offered hereby, reference is made to the Registration Statement, including the exhibits thereto. The Registration Statement may be inspected at the office of the Commission or copies may be obtained upon payment of the applicable charges.

BY ORDER OF THE BOARD OF DIRECTORS
Arthur M. Sibley
Clerk

Boston, Massachusetts
July 22, 1974

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ACCOUNTANTS' REPORT

The Board of Directors and Stockholders
INTERCO INCORPORATED:

We have examined the consolidated financial statements of INTERCO INCORPORATED and subsidiaries as listed in the accompanying index. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of INTERCO INCORPORATED and subsidiaries at February 28, 1974 and the results of their operations and changes in stockholders' equity and financial position for the periods indicated in the accompanying index, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

St. Louis, Missouri
April 12, 1974

INTERCO INCORPORATED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

February 28, 1974

(Thousands of Dollars)

ASSETS

CURRENT ASSETS:

Cash	\$ 13,045
Marketable securities, at cost which approximates market	11,350
Receivables, less allowance for doubtful accounts and cash discounts of \$4,210	149,277
 Inventories (Note 1):	
Finished products and other merchandise	180,887
Raw materials and work in process	64,741
	<hr/> 245,628
Prepaid expenses	3,163
Future income tax benefits	<hr/> 2,894
Total current assets	425,357
Excess of investment over equity in subsidiaries at acquisition, net of amortization (Note 1)	9,323
Sundry investments and other assets	6,049
Future income tax benefits	2,616
 PROPERTY, PLANT AND EQUIPMENT, AT COST (Note 1):	
Land	5,078
Buildings and improvements	91,193
Machinery and equipment	<hr/> 101,996
	198,267
Less accumulated depreciation	94,712
Net property, plant and equipment	<hr/> 103,555
	<hr/> \$546,900

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
February 28, 1974
(Thousands of Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt	\$ 3,623
Accounts payable	66,780
Accrued expenses:	
Payrolls	11,510
Taxes, other than income	6,184
Interest	795
Other	9,556
Income taxes	<u>12,865</u>
Total current liabilities	111,313
Long-term debt, less current maturities (Note 4)	63,145
Deferred compensation and other deferred liabilities	10,156
Minority interests in subsidiaries (Note 1)	2,936

STOCKHOLDERS' EQUITY:

Preferred stock, at stated and liquidating value (Note 5):	
First preferred	453
Second preferred	<u>15,836</u>
	16,289
Common stock, at stated value (Note 6)	81,898
Capital surplus	41,825
Retained earnings	<u>219,338</u>
Total stockholders' equity	359,350
	<u><u>\$546,900</u></u>

INTERCO INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Thousands of Dollars					
	Preferred Stock	Common Stock Issued	in Treasury	Capital Surplus	Retained Earnings	Total
BALANCE NOVEMBER 30, 1968:						
As previously reported	\$48,270	\$56,671	\$3,421	\$(1,187)	\$95,405	\$202,580
Poolings of interests adjustments	—	4,827	—	(3,910)	2,188	3,105
As restated (Note 2)	48,270	61,498	3,421	(5,097)	97,593	205,685
Net earnings	—	—	—	—	28,085	28,085
Stock options exercised	35	154	621	30	—	840
Preferred stock conversions	(1,068)	361	—	706	—	(1)
Cash dividends:						
Preferred stock	—	—	—	—	(2,429)	(2,429)
Common stock — \$1.00 per share	—	—	—	—	(7,236)	(7,236)
Pooled companies prior to combination	—	—	—	—	(568)	(568)
Issuance of 82,969 common treasury shares for pooled companies not restated and 2,250 common treasury shares for acquisition of net assets	—	—	1,918	145	(851)	1,212
Treasury stock acquired	—	—	(4,908)	—	—	(4,908)
Sale of 107,720 common shares by pooled company prior to combination	—	808	—	844	—	1,652
BALANCE NOVEMBER 30, 1969	47,237	62,821	1,052	(3,372)	114,594	222,332
Pooling of interests adjustments (Notes 2 and E)	—	1,804	—	1,319	—	3,123
	47,237	64,625	1,052	(2,053)	114,594	225,455
Net earnings	—	—	—	—	30,786	30,786
Stock options exercised	150	4	—	2	—	156
Preferred stock conversions	(812)	271	—	541	—	—
Cash dividends:						
Preferred stock	—	—	—	—	(2,498)	(2,498)
Common stock — \$1.10 per share	—	—	—	—	(8,156)	(8,156)
Pooled companies prior to combination	—	—	—	—	(128)	(128)
Stock issued to former stockholders of pooled company	3,792	—	—	(10)	(3,784)	(2)
Treasury stock acquired	(8)	—	(4,717)	(4)	—	(4,729)
Sale of 107,720 common shares by pooled company prior to combination	—	808	—	2,036	—	2,844
BALANCE NOVEMBER 30, 1970	50,359	65,708	(3,665)	512	130,814	243,728
Net earnings	—	—	—	—	34,627	34,627
Stock options exercised	496	180	280	433	—	1,389
Preferred stock conversions	(28,118)	9,333	—	18,782	—	(3)
Cash dividends:						
Preferred stock	—	—	—	—	(1,787)	(1,787)
Common stock — \$1.20 per share	—	—	—	—	(10,059)	(10,059)
Pooled companies prior to combination	—	—	—	—	(183)	(183)
Treasury stock acquired	—	—	(424)	—	—	(424)
Sale of 400,000 common shares	—	3,000	—	13,843	—	16,843
Stock issued for former stockholders of pooled company — 12,191 shares	—	—	341	—	(341)	—
Series B preferred treasury shares converted to 132 common treasury shares	—	1	(3)	2	—	—
BALANCE NOVEMBER 30, 1971	\$22,737	\$78,222	\$(3,471)	\$33,572	\$153,071	\$284,131

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Thousands of Dollars				
	Preferred Stock	Common Stock Issued	in Treasury	Capital Surplus	Retained Earnings
	\$	\$	\$	\$	\$
BALANCE NOVEMBER 30, 1971	\$22,737	\$78,222	\$(3,471)	\$33,572	\$153,071
Net earnings	—	—	—	—	10,265
Stock options exercised:					
Common — 75,900 shares	—	307	1,004	494	—
Preferred stock conversions:					
Series A — 20,294 shares	(2,029)	662	—	1,367	—
Series B — 1,519 shares	(61)	23	—	38	—
Cash dividends:					
Preferred stock	—	—	—	—	(268) (268)
Common stock — \$0.31 per share	—	—	—	—	(2,877) (2,877)
Pooled companies prior to combination	—	—	—	—	(25) (25)
Issuance of 40,250 common shares for acquired company	—	302	—	1,207	—
BALANCE FEBRUARY 29, 1972	20,647	79,516	(2,467)	36,678	160,166
Net earnings	—	—	—	—	42,471
Stock options exercised:					
Series C — 4,087 shares	409	—	—	(134)	—
Common — 104,073 shares	—	705	287	2,167	—
Preferred stock conversions:					
Series A — 31,238 shares	(3,123)	1,019	—	2,104	—
Series B — 29,028 shares	(1,161)	435	—	726	—
Series C — 66 shares	(7)	2	—	5	—
Cash dividends:					
Preferred stock	—	—	—	—	(988) (988)
Common stock — \$1.25 per share	—	—	—	—	(12,064) (12,064)
Pooled companies prior to combination	—	—	—	—	(165) (165)
Stock issued to former stockholders of pooled company — 53,800 shares	—	—	1,545	—	(1,545) —
Stock dividend:					
Pooled company prior to combination	—	50	—	45	(95) —
BALANCE FEBRUARY 28, 1973	16,765	81,727	(635)	41,591	187,780
Net earnings	—	—	—	—	47,042
Stock options exercised:					
Common — 5,958 shares	—	7	164	(77)	—
Preferred stock conversions:					
Series A — 2,807 shares	(281)	91	—	189	—
Series B — 4,857 shares	(195)	73	—	122	—
Cash dividends:					
Preferred stock	—	—	—	—	(868) (868)
Common stock — \$1.32 per share	—	—	—	—	(13,248) (13,248)
Pooled companies prior to combination	—	—	—	—	(371) (371)
Treasury stock acquired	—	—	(526)	—	—
Stock issued to former stockholders of pooled company — 30,317 shares	—	—	997	—	(997) —
BALANCE FEBRUARY 28, 1974	<u>\$16,289</u>	<u>\$81,898</u>	<u>—</u>	<u>\$41,825</u>	<u>\$219,338</u>
	<u><u>\$16,289</u></u>	<u><u>\$81,898</u></u>	<u><u>—</u></u>	<u><u>\$41,825</u></u>	<u><u>\$359,350</u></u>

INTERCO INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Thousands of Dollars			
	Three Months Ended February 29,		Years Ended February 28,	
	Year Ended November 30, 1971	1972	1973	1974
Working capital provided by:				
Net earnings	\$34,627	\$10,265	\$42,471	\$47,042
Depreciation	9,915	2,605	10,528	11,642
Future income tax benefits	(218)	88	228	(166)
Other, net	378	(304)	463	722
Operations	44,702	12,654	53,690	59,240
Disposal of property, plant and equipment	5,965	392	1,082	1,611
Issuance of common stock for conversion of preferred stock — contra below	28,118	2,090	4,291	476
Exercise of stock options	1,389	1,805	3,434	94
Working capital of purchased companies	451	2,761	2,603	—
Issuance of common stock for purchase of company	—	1,509	—	—
Sale of common stock	16,843	—	—	—
Issuance of long-term debt	—	—	900	4,425
Other, net	250	283	—	—
	<u>97,718</u>	<u>21,494</u>	<u>66,000</u>	<u>65,846</u>
Working capital used for:				
Additions to property, plant and equipment	15,843	3,111	16,745	23,957
Increase in funds in escrow for construction	—	—	—	1,106
Cash dividends	12,029	3,170	13,217	14,487
Conversion of preferred stock — contra above	28,118	2,090	4,291	476
Reduction of long-term debt	2,449	315	7,101	3,808
Purchase of companies	509	3,034	3,261	—
Treasury stock acquired	424	—	—	526
Other, net	—	—	504	497
	<u>59,372</u>	<u>11,720</u>	<u>45,119</u>	<u>44,857</u>
Increase in working capital	<u>\$38,346</u>	<u>\$ 9,774</u>	<u>\$20,881</u>	<u>\$20,989</u>
Working capital increased (decreased) by:				
Cash and marketable securities	\$ 9,067	\$ 7,829	\$(23,748)	\$ 4,101
Receivables	2,700	(16)	22,404	5,800
Inventories	15,423	1,206	23,605	13,253
Other current assets	978	(548)	2,095	1,062
Notes payable	19,535	(4,548)	5,098	—
Current maturities of long-term debt	538	262	1,059	4
Accounts payable and accrued expenses	(9,785)	7,224	(7,332)	(5,065)
Income taxes payable	(110)	(1,635)	(2,300)	1,834
	<u>\$38,346</u>	<u>\$ 9,774</u>	<u>\$20,881</u>	<u>\$20,989</u>

See accompanying notes to consolidated financial statements.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies:

The company and its subsidiaries employ generally accepted accounting principles on a consistent basis to present fairly their consolidated financial position, results of operations, and changes in financial position. The major accounting policies of the company are set forth below.

Principles of Consolidation —

The consolidated financial statements include the accounts of the company and all domestic and foreign subsidiaries. Foreign subsidiaries (principally Canadian) are not material in relation to consolidated financial position or results of operations. All material intercompany transactions have been eliminated in consolidation.

Inventories —

The majority of the inventories are priced at the lower of cost (first-in, first-out) or replacement market. Certain of the inventories are priced on the "last-in, first-out" method. Had the "first-in, first-out" method been applied to all inventories, they would have been stated at approximately \$268,898,000 at February 28, 1974. Inventories used in the computation of cost of sales are as follows (in thousands):

November 30:

1968 — \$152,207	1970 — \$192,141
1969 — <u>171,681</u>	1971 — <u>207,608</u>

February 29:

1972 — <u>\$208,770</u>

February 28:

1973 — <u>\$232,375</u>	1974 — <u>\$245,628</u>
-------------------------	-------------------------

Property, Plant and Equipment —

Maintenance and repairs are charged to operations as incurred, while renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation thereon are removed from the accounts and any gain or loss is reflected in operations.

The provision for depreciation is based on the estimated useful lives of the assets, ranging from 3 to 50 years for buildings and improvements and 3 to 16 years for machinery and equipment. For financial reporting purposes, the company employs both accelerated and straight-line methods in computing depreciation. Approximately 73% of depreciation expense was computed on the straight-line method in 1974.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Minority Interests in Subsidiaries —

Minority interests in subsidiaries consists of capital stock of \$600,000, capital surplus of \$110,000, and retained earnings of \$2,226,000.

Excess of Investment Over Equity in Subsidiaries —

Cost in excess of net assets of companies acquired is being amortized on a straight-line basis, generally over 40 years.

Start-Up Expenses —

Start-up expenses of new facilities are charged to operations in the period incurred.

Income Taxes —

Deferred compensation, depreciation, profit on installment sales and certain valuation reserves and accruals are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. Provision has been made for resulting deferred taxes and future tax benefits. Investment tax credits are reflected as a reduction of Federal income taxes for the period in which qualified property is placed in service.

It is the company's intent that the undistributed earnings of subsidiaries will either be reinvested in the subsidiaries or distributed tax-free to the parent company. Accordingly, no provision has been made for income taxes on such undistributed earnings.

The Federal income tax returns of the company and its major subsidiaries for the three taxable years 1969 through 1971 are currently in the process of examination. Management is of the opinion that the results of these examinations will have no material effect on consolidated financial position or results of operations.

(2) Acquisitions:

During the five years and three months ended February 28, 1974, the company consummated a number of business combinations. All material business combinations accounted for as poolings of interests are included in the consolidated financial statements for all periods presented. Sales and net earnings of these companies for periods prior to consummation are reconciled to amounts originally reported by the company in Notes to Consolidated Statement of Earnings. For those business combinations accounted for as purchases, the accounts of the companies are included in the consolidated financial statements from the date of consummation of the respective transactions. The following table summarizes business combinations and consideration in exchange therefor by type of combination during each of the fiscal periods:

Poolings of interests —

1969 — Five companies for 82,969 shares of common stock.

1970 — Budmark Converters Co. Ltd., Biltwell Company, Inc., Proctor Enterprises, Fine's Men's Shops, Inc. and Bowen Shoe Company, Inc. for a total of 323,617 shares of common stock. In addition, 96,308 contingent shares of common stock were issued in subsequent periods and 30,136 shares of common stock were reserved at February 28, 1974 for future issuance.

1972 — Big Yank Corporation and Standard Sportswear, Inc. for 309,321 shares of common stock.

1974 — Devon Apparel, Inc. and United Shirt Distributors, Inc. for 844,422 shares of common stock.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Purchases —

1970 — Eagle Family Discount Stores, Inc. for \$8,091,400.

1972 — One company for 40,250 shares of common stock, and the operating assets of several businesses for an aggregate purchase price of \$4,787,000.

The results of operations of purchased businesses are not significant with respect to the consolidated results of operations in the respective periods of acquisition.

The stated value of common stock issued in certain poolings of interests transactions exceeded the sum of the capital stock and capital surplus accounts of pooled companies. Accordingly, \$5,097,000 of such excess was charged against capital surplus which arose from other transactions subsequent to November 30, 1968. Restatement for these poolings resulted in negative capital surplus at November 30, 1968. Treasury stock with a cost of \$8,059,000 was issued in certain poolings in 1970 and 1972. Of this amount, \$3,421,000 was acquired subsequent to November 30, 1968. Accordingly, restatement for these poolings resulted in negative treasury stock at November 30, 1968.

(3) Short-Term Borrowings:

Average short-term borrowings outstanding during 1974 was \$17,000,000 and the weighted average interest rate thereon, using monthly outstanding balances was 8.60%, with a maximum short-term borrowing of \$27,000,000 at any month end. As of February 28, 1974, the company had approximately \$81,000,000 in lines of credit available for short-term use.

(4) Long-Term Debt:

Long-term debt consists of the following (in thousands):

4 $\frac{5}{8}$ % promissory installment notes, payable \$1,875 annually, 1974-1989, and balance in 1990	\$42,500
6% promissory installment notes, payable \$750 annually, 1974-1975, \$1,250 annually, 1976-1979, and balance in 1980	8,625
4 $\frac{3}{4}$ % obligation under long-term lease, payable in annual installments increasing from \$260 in 1974 to \$565 in 1991	7,165
Other debt at 2 $\frac{1}{2}$ to 9 $\frac{3}{4}$ interest rates, payable in varying amounts through 1993	8,478
	66,768
Less current maturities	3,623
	<u>\$63,145</u>

Current maturities of long-term debt in the five years following February 28, 1974, are as follows (in thousands):

1975.....	\$3,623
1976.....	3,555
1977.....	4,434
1978.....	3,897
1979.....	<u>3,977</u>

The 4 $\frac{3}{4}$ % note agreement restricts retained earnings of \$43,810,000 as to payment of cash dividends on capital stock and the purchase, redemption or retirement of capital stock. The agreement also provides that no such payments be made unless consolidated working capital shall be at least \$80,000,000.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Preferred Stock:

The company's preferred stock is issuable in series. Authorized preferred stock consists of 577,060 shares of first preferred and 1,000,000 shares of second preferred without par value. Such stock is summarized as follows:

First Preferred Series B — \$2.10 cumulative, with stated and involuntary liquidating value of \$40 per share; issued 11,334 shares at February 28, 1974, callable beginning in 1975 at \$42.10, decreasing to \$40.00 in 1985; convertible into 2 shares of common stock.

Second Preferred Series C — \$5.25 cumulative with stated and involuntary liquidating value of \$100 per share; issued 158,359 shares at February 28, 1974, callable beginning in 1975 at \$105.25, decreasing to \$100.00 in 1985; convertible into 3.0534 shares of common stock.

(6) Common Stock:

The company's common stock consists of 30,000,000 shares authorized with stated value of \$7.50 per share, of which 10,919,780 shares were issued at February 28, 1974.

Shares of common stock were reserved for the following purposes at February 28, 1974:

	<u>Number of Shares</u>
Conversion of preferred stock	506,201
Common stock options:	
Granted	236,162
Available for grant	119,325
Contingent shares based on profit performance of acquired companies	<u>60,125</u>
	<u>921,813</u>

On November 13, 1967, the Company adopted the 1967 Qualified Stock Option Plan. This Plan authorized the granting of options to purchase common stock of the Company, at prices not less than 100% of the fair market value on the date of grant, to key employees, including officers. The number of shares reserved for issuance under the Plan was 300,000 shares of common stock. Unless otherwise provided in the option agreements, options are exercisable in cumulative installments of 25% on the first four anniversary dates of the grant. Options expire five years from the date of granting.

On March 13, 1972 the stockholders approved the INTERCO INCORPORATED 1972 Stock Option Plan, authorizing the granting of qualified or non-qualified options, or a combination of both, to key employees, including officers. Two hundred thousand (200,000) shares of common stock were reserved for issuance under the Plan. Qualified and non-qualified options may be granted under the Plan at not less than 100% and 85%, respectively, of the fair market value of the common stock on the date an option is granted. The qualified options expire not later than five years from the date of grant and the non-qualified options expire not later than ten years from the date of grant. Unless otherwise provided in the option agreement, the options are generally exercisable at any time after date of grant. Agreements covering options issued to date under the Plan provide that the options become exercisable in cumulative installments of 25% in the third and fourth years, respectively, and 50% in the fifth year.

In connection with the acquisition of Devon Apparel, Inc., in 1974, the company assumed the unexercised stock options of Devon. All such options were granted at 100% of fair market value of Devon's common stock on date of grant, become exercisable in installments and expire approximately five years from date of grant.

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tabulations summarize information with respect to the stock option plans described above.

	Number of Shares	Option Price		Market Value at Dates Granted, Modified, Exercisable or Exercised	
		Range Per Share	Total	Range Per Share	Total
Shares under option at December 1, 1970:					
1967 Plan	200,300	\$28.94 - 53.44	\$6,452,906	\$28.94 - 53.44	\$6,452,906
1972 Plan	—	—	—	—	—
Devon Plans	16,671	16.53 - 30.11	314,443	16.53 - 30.11	314,443
Not under formal plan	60,000	14.00	840,000	14.00	840,000
Options Granted During Period					
Year ended November 30:					
1971	54,350	\$41.25	\$2,241,938	\$41.25	\$2,241,938
Three months ended February 29:					
1972	10,300	49.88	513,713	49.88	513,713
Year Ended February 28:					
1973	57,247	30.63 - 50.31	2,739,330	30.63 - 50.31	2,739,330
1974	88,189	15.32 - 43.13	3,331,888	15.32 - 43.13	3,331,888
Option Becoming Exercisable During Period					
Year ended November 30:					
1971	45,655	\$16.53 - 53.44	\$1,429,631	\$35.69 - 49.75	\$1,685,651
Three months ended February 29:					
1972	—	—	—	—	—
Year ended February 28:					
1973	13,318	16.53 - 53.44	371,206	32.38 - 54.34	626,517
1974	36,290	16.53 - 49.88	1,257,768	15.67 - 51.19	1,185,089

INTERCO INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Options Exercised During Period	Number of Shares	Option Price		Market Value at Dates Granted, Modified, Exercisable or Exercised	
		Range Per Share	Total	Range Per Share	Total
Year ended November 30:					
1971	39,264	\$14.00 - 32.25	\$1,006,534	\$37.94 - 53.13	\$1,734,777
Three months ended					
February 29:					
1972	75,900	14.00 - 32.25	1,805,041	43.38 - 53.50	3,708,806
Year ended February 28:					
1973	104,073	14.00 - 32.25	3,151,829	32.38 - 55.25	5,211,036
1974	<u>5,958</u>	<u>14.00 - 32.25</u>	<u>95,394</u>	<u>21.58 - 49.31</u>	<u>212,625</u>

Options Cancelled

Year ended November 30:	
1971	4,950
Three months ended	
February 29:	
1972	750
Year ended February 28:	
1973	1,100
1974	<u>18,900</u>

Shares Under Option at February 28, 1974

1967 Plan	116,575	\$26.13 - 49.88	\$4,682,570	\$26.13 - 49.88	\$4,682,570
1972 Plan	90,400	41.38 - 50.31	3,979,519	41.38 - 50.31	3,979,519
Devon Plans	29,187	15.32 - 38.64	633,825	15.32 - 38.64	633,825
Not under formal plan	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

At February 28, 1974, options for 9,725 and 109,600 shares of common stock are available for granting under the 1967 and 1972 Plans, respectively.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(7) Pension and Retirement Plans:

The company and its subsidiaries have pension plans covering substantially all employees. The company's policy with respect to principal pension plans is to fund pension costs accrued. Total pension expense, which includes as to certain of the plans amortization of prior service cost over periods ranging from 20 to 40 years, was as follows (in thousands):

Year ended November 30:	Three months ended February 29:	
	1972	<u>\$1,731</u>
1969 — \$4,798		
1970 — 5,627		
1971 — <u>6,121</u>		
Year ended February 28:		
	1973 — \$7,304	
	1974 — <u>7,875</u>	

As of the latest valuation dates of the plans, the actuarially computed value of vested benefits exceeded the total of the pension funds and balance sheet accruals by approximately \$5,400,000 and the unfunded past service liability aggregated approximately \$31,000,000.

(8) Lease Commitments:

Substantially all of the company's retail outlets and certain other real properties and equipment are operated under lease agreements expiring at various times through the year 2009. Leases covering retail outlets and equipment generally require, in addition to stated minimums, contingent rentals based on retail sales and equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates.

Rental expense for the year ended February 28, 1974 consisted of basic rentals of \$25,275,000 and contingent rental of \$9,912,000, less sublease rental income of \$1,824,000.

At February 28, 1974, minimum rental commitments under all noncancelable leases, excluding capitalized leases, were as follows (in thousands):

Year	Type of Property		
	Real Property	Equipment	Total
1975	\$ 19,648	\$ 1,718	\$ 21,366
1976	18,397	1,467	19,864
1977	16,893	1,081	17,974
1978	15,581	400	15,981
1979	13,885	96	13,981
1980-1984	51,891	4	51,895
1985-1989	27,026	—	27,026
1990-1994	10,487	—	10,487
1995-2009	4,195	—	4,195
	<u>\$178,003</u>	<u>\$4,766</u>	<u>\$182,769</u>

The above minimum rental commitments for real property have been reduced by rentals from subleases. These subleases, expiring at various dates to 1993, provide for aggregate minimum rentals of approximately \$7,700,000.

The present value of noncapitalized financing leases, as defined by the Securities and Exchange Commission, and the impact on net earnings if such leases had been capitalized are not material to the accompanying financial statements.

The company has also guaranteed leases of certain retail outlets of customers which at February 28, 1974 aggregate approximately \$1,900,000 based on minimum rentals.

INTERCO INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(9) Supplementary Income Statement Information:

	Thousands of Dollars			
	Year Ended November 30, 1971	Three Months Ended February 29, 1972	Year Ended February 28, 1973	1974
Rent	<u><u>\$28,860</u></u>	<u><u>\$8,074</u></u>	<u><u>\$32,827</u></u>	<u><u>\$33,363</u></u>
Taxes, other than income taxes:				
Payroll taxes	\$11,906	\$3,451	\$14,911	\$17,091
Property, and other state and local taxes	4,902	859	6,165	6,645
	<u><u>\$16,808</u></u>	<u><u>\$4,310</u></u>	<u><u>\$21,076</u></u>	<u><u>\$23,736</u></u>
Advertising	<u><u>\$15,633</u></u>	<u><u>\$4,472</u></u>	<u><u>\$17,206</u></u>	<u><u>\$18,054</u></u>

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders
College-Town, Inc.

We have examined the balance sheet of College-Town, Inc. as at December 31, 1973 and the related statements of income, capital surplus and retained earnings for the five years then ended and changes in financial position for the three years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of College-Town, Inc. as at December 31, 1973 and the results of its operations for the five years then ended and changes in financial position for the three years then ended, in conformity with generally accepted accounting principles consistently applied.

CLARENCE RAINESS & CO.

Boston, Massachusetts
February 16, 1974

COLLEGE-TOWN, INC.

BALANCE SHEET

	December 31, 1973	March 31, 1974
ASSETS		(Unaudited)
Current assets:		
Cash (including certificate of deposit — \$750,000 with interest at 9.50% and \$1,000,000 with interest at 8.125%)	\$ 1,650,521	\$ 1,360,914
Due from factor — Note 2	3,229,035	813,452
Accounts receivable — net of a reserve for doubtful accounts of \$12,500	—	3,855,563
Inventories — Notes 1 (a) and 3	5,913,602	7,359,525
Prepaid expenses and sundry receivables	342,341	296,667
Total current assets	11,135,499	13,686,121
Property assets — at cost less accumulated depreciation of \$435,818 and \$476,507 — Notes 1 (c) and 4	629,177	1,282,017
Investment in 50% held company — at equity — Note 1 (b)	253,435	253,435
Other assets	202,674	174,374
	\$12,220,785	\$15,395,947
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ —	\$ 45,001
Accounts payable	2,072,481	4,551,595
Accrued expenses and sundry liabilities: Payroll and other employee compensation	89,750	76,153
Taxes, other than federal income taxes	162,905	112,772
Dividends payable	—	69,375
Sundry	133,244	198,378
Federal income taxes	715,081	764,008
Total current liabilities	3,173,461	5,817,282
Long-term debt — Note 5	—	219,317
Commitments — Note 7		
Stockholders' equity — Note 6:		
Common stock — par value \$1 per share: Authorized — 1,500,000 shares		
Issued and outstanding — 925,000 shares and 1,017,464 shares	925,000	1,017,464
Capital surplus	1,571,220	2,126,004
Retained earnings	6,551,104	6,215,880
Total stockholders' equity	9,047,324	9,359,348
	\$12,220,785	\$15,395,947

See notes to financial statements.

COLLEGE-TOWN, INC.

STATEMENT OF CAPITAL SURPLUS

	For the Year Ended December 31,					For the Three Months Ended March 31,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	(Unaudited)
Balance, beginning of period	\$ —	\$ —	\$ 156,900	\$ —	\$ 1,571,220	\$ 1,571,220	
Transferred from common stock pursuant to recapitalization of March 27, 1970	—	156,900	—	—	—	—	
Transferred to common stock pursuant to recapitalization of December 30, 1971	—	—	(156,900)	—	—	—	
Excess of net proceeds over par value of 125,000 common shares sold at public offering on April 26, 1972	—	—	—	1,571,220	—	—	
Transferred from retained earnings pursuant to 10% stock dividend (92,464 shares) declared February 1974	—	—	—	—	—	—	554,784
Balance, end of period	<u>\$ —</u>	<u>\$ 156,900</u>	<u>\$ —</u>	<u>\$ 1,571,220</u>	<u>\$ 1,571,220</u>	<u>\$ 2,126,004</u>	

See notes to financial statements.

COLLEGE-TOWN, INC.

STATEMENT OF RETAINED EARNINGS

	For the Year Ended December 31,					For the Three Months Ended March 31,	
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	(Unaudited)
Balance, beginning of period	\$ 738,430	\$ 1,585,209	\$ 2,213,479	\$ 3,272,621	\$ 4,690,479	\$ 6,551,104	
Net income	846,779	628,270	1,077,242	1,417,858	2,068,750	451,026	
Transferred to common stock pursuant to recapitalization of December 30, 1971	—	—	(18,100)	—	—	—	
Cash dividends	—	—	—	—	(208,125)	(138,750)	
Fair value of 92,464 common shares issued as a stock dividend (including \$252 paid in lieu of fractional shares) declared February 1974	—	—	—	—	—	(647,500)	
Balance, end of period	<u>\$ 1,585,209</u>	<u>\$ 2,213,479</u>	<u>\$ 3,272,621</u>	<u>\$ 4,690,479</u>	<u>\$ 6,551,104</u>	<u>\$ 6,215,880</u>	

See notes to financial statements.

COLLEGE-TOWN, INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>For the Year Ended December 31,</u>			For the Three Months Ended March 31, (Unaudited)
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
Sources of working capital:				
Provided by operations:				
Net income	\$1,077,242	\$1,417,858	\$2,068,750	\$ 451,026
Add (deduct) items not involving working capital:				
Depreciation	64,007	78,110	111,886	40,689
Equity in earnings of 50% held company	(6,829)	(2,621)	(8,843)	—
Total from operations	<u>1,134,420</u>	<u>1,493,347</u>	<u>2,171,793</u>	<u>491,715</u>
Net proceeds from sale of 125,000 common shares	—	1,696,220	—	—
Long-term debt incurred	—	—	—	271,508
Total sources	<u>1,134,420</u>	<u>3,189,567</u>	<u>2,171,793</u>	<u>763,223</u>
Applications of working capital:				
Additions to property assets	42,723	260,598	200,866	693,529
Payments and current maturities of long-term debt	—	—	—	52,191
Cash dividends	—	—	208,125	138,750
Other	<u>20,861</u>	<u>47,056</u>	<u>78,747</u>	<u>(28,048)</u>
Total applications	<u>63,584</u>	<u>307,654</u>	<u>487,738</u>	<u>856,422</u>
Increase (decrease) in working capital	1,070,836	2,881,913	1,684,055	(93,199)
Working capital, beginning of period	<u>2,325,234</u>	<u>3,396,070</u>	<u>6,277,983</u>	<u>7,962,038</u>
Working capital, end of period	<u>\$3,396,070</u>	<u>\$6,277,983</u>	<u>\$7,962,038</u>	<u>\$7,868,839</u>
Increase (decrease) in components of working capital:				
Current assets:				
Cash	\$ 182,281	\$ 111,924	\$1,242,920	\$ (289,607)
Due from factor	1,880,570	1,426,762	(949,929)	(2,415,583)
Accounts receivable	—	—	—	3,855,563
Inventories	967,411	687,712	1,832,077	1,445,923
Prepaid expenses and sundry receivables	<u>(525,102)</u>	<u>125,321</u>	<u>109,378</u>	<u>(45,674)</u>
	<u>2,505,160</u>	<u>2,351,719</u>	<u>2,234,446</u>	<u>2,550,622</u>
Current liabilities:				
Current maturities of long-term debt	2,568	—	—	45,001
Accounts payable	728,459	(110,874)	104,534	2,479,114
Accrued expenses and sundry liabilities	269,342	(260,339)	5,750	70,779
Federal income taxes	<u>433,955</u>	<u>(158,981)</u>	<u>440,107</u>	<u>48,927</u>
	<u>1,434,324</u>	<u>(530,194)</u>	<u>550,391</u>	<u>2,643,821</u>
Increase (decrease) in working capital	<u>1,070,836</u>	<u>\$2,881,913</u>	<u>\$1,684,055</u>	<u>\$ (93,199)</u>

See notes to financial statements.

COLLEGE-TOWN, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 — Significant Accounting Policies:

(a) Inventories —

Inventories are stated at the lower of cost (first-in, first-out method) or market.

(b) Investment in affiliated company —

The Company accounts for its investment in a 50% owned company at equity in the underlying net assets. The Company has provided for income taxes on the undistributed earnings of the investee company, at capital gains rates. Such provision is insignificant in relation to total taxes. As at March 31, 1974, there has been no material change in the equity.

(c) Property assets —

The property assets have been depreciated on a straight-line basis at rates based upon the estimated useful lives of the respective assets, as follows:

	<u>Estimated Useful Lives</u>
Equipment, furniture and fixtures	3 - 10 years
Leasehold improvements	Term of lease or estimated useful life, whichever is less

Maintenance, repairs and minor renewals are charged to income as incurred. Expenditures which increase the useful lives of the property assets are capitalized. When assets are sold or retired, the cost of the asset and the related accumulated depreciation are eliminated from the accounts and any resulting gains or losses are reflected in income.

Investment tax credits arising upon the acquisition of qualifying assets are reflected in income in the year of realization. Such tax credits were insignificant in all periods.

(d) Stock options —

Proceeds from the issuance of shares will be credited to capital surplus to the extent of the excess of the exercise price over par value. No charges to income are made with respect to the options.

COLLEGE-TOWN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 – Due From Factor:

Prior to February 1974, the Company sold its accounts receivable to a commercial factor, without recourse, up to a maximum established by the factor for each individual account. Receivables in excess of these limitations were subject to recourse in the event of nonpayment by the customer. At December 31, 1973, there were no material amounts in excess of established limits.

The Company terminated such factoring agreement on January 31, 1974.

NOTE 3 – Inventories:

Inventories consist of the following:

	December 31, 1973	March 31, 1974
	(Unaudited)	
Raw materials	\$2,192,719	\$3,598,195
Work in process	835,243	1,505,447
Finished goods	<u>2,885,640</u>	<u>2,255,883</u>
	<u>\$5,913,602</u>	<u>\$7,359,525</u>

Inventories entering into the computation of cost of sales were as follows:

December 31, 1968	\$1,609,083
December 31, 1969	1,840,114
December 31, 1970	2,426,402
December 31, 1971	3,393,813
December 31, 1972	4,081,525
December 31, 1973	5,913,602
March 31, 1973 (Unaudited)	6,875,600
March 31, 1974 (Unaudited)	7,359,525

NOTE 4 – Property Assets:

Property assets are summarized as follows:

	December 31, 1973	March 31, 1974
	(Unaudited)	
Equipment, furniture and fixtures	\$ 579,317	\$1,260,056
Leasehold improvements	485,678	498,468
	<u>1,064,995</u>	<u>1,758,524</u>
Accumulated depreciation	435,818	476,507
	<u>\$ 629,177</u>	<u>\$1,282,017</u>

COLLEGE-TOWN, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 – Long-Term Debt:

The Company has acquired certain equipment under a lease-purchase agreement which has been accounted for as a purchase of property assets subject to depreciation over their estimated useful lives. The related obligation is payable in varying monthly installments through January 31, 1979 with interest at 7½% per annum. Long-term debt maturities during each of the five years following March 31, 1974 are tabulated as follows:

Years Ending March 31,	Amount (Unaudited)
1975	\$ 45,001
1976	48,495
1977	52,260
1978	56,317
1979	62,245
	<u>\$264,318</u>

NOTE 6 – Capital Stock:

(a) *Changes in outstanding shares –*

Changes in outstanding common shares are as follows:

	For the Year Ended December 31,			For the Three Months Ended, March 31, 1974 (Unaudited)
	1971	1972	1973	
Balance at beginning of period	800,000	800,000	925,000	925,000
Sold at public offering	—	125,000	—	—
Issued as stock dividend	—	—	—	92,464
Balance at end of period	<u>800,000</u>	<u>925,000</u>	<u>925,000</u>	<u>1,017,464</u>

(b) *Stock Options –*

A maximum of 55,000 shares of common stock are reserved for issuance pursuant to a qualified stock option plan adopted January 29, 1973 (adjusted for the ten percent stock dividend declared February 1974). Options are granted at not less than the fair market value of the Company's common shares on the grant date, are cumulatively exercisable at the rate of 33⅓% per annum commencing after one year, and expire after five years.

At March 31, 1974, options to acquire 23,650 shares were outstanding at a per share price of \$9.89 (aggregate option price of \$233,813) and were exercisable as follows:

Year	Number of Shares
1974	7,883
1975	7,883
1976	7,884
	<u>23,650</u>

Shares as to which options became exercisable as of March 31, 1974 were as follows:

Number of Shares	Option Price		Market Value on Exercise Date	
	Per Share	Total	Per Share	Total
7,883	\$9.89	\$77,933	\$7.50	\$59,123

None of the options had been exercised.

COLLEGE-TOWN, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – Commitments:

Lease commitments —

Rents charged to operations are tabulated as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>	Three Months Ended March 31, (Unaudited)	<u>Amount</u>
1969	\$275,147	1973	\$114,604
1970	384,642	1974	114,992
1971	422,670		
1972	461,284		
1973	482,152		

Each period prior to 1974 includes data processing equipment rents on a month-to-month basis. On January 2, 1974, such leases were cancelled and data processing equipment was purchased.

Certain of the leases provide for the payment of real estate taxes and other occupancy costs.

Minimum annual rental commitments are tabulated as follows:

	<u>Financing Lease</u>	<u>Operating Leases</u>
1974	\$167,696	\$129,955
1975	167,696	120,090
1976	167,696	105,325
1977	167,696	90,797
1978	167,696	75,898
1979-1983	838,430	79,431
1984-1988	816,849	—
1989-1992	546,768	—

The financing lease, which expires in 1992, is renewable, at the lessee's option, for four five-year periods with reductions in annual rentals.

The present value of the minimum rental commitment under the non-capitalized financing lease, using a weighted average interest factor of 7.27%, was \$1,612,876 at March 31, 1974 and \$1,624,465 at December 31, 1973.

Had the financing lease been capitalized, there would have been no material effect on the results of operations.

NOTE 8 – Supplementary Income Statement Information:

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1973</u> (Unaudited)	<u>1974</u> (Unaudited)
Depreciation	\$ 64,007	\$ 78,110	\$111,886	\$ 24,278	\$ 40,689
Taxes, other than taxes on income	142,082	201,581	269,519	79,168	85,772
Rents	422,670	461,284	482,152	114,604	114,992
Advertising	165,878	208,972	296,262	45,000	100,000

**AGREEMENT AND
PLAN OF REORGANIZATION**

AMONG

**INTERCO INCORPORATED
A DELAWARE CORPORATION**

**INTERCO-MA INCORPORATED
A DELAWARE CORPORATION**

AND

**COLLEGE-TOWN, INC.
A MASSACHUSETTS CORPORATION**

**Dated as of
June 24, 1974**

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") dated as of June 24, 1974, among INTERCO INCORPORATED ("INTERCO"), a Delaware corporation, its wholly-owned subsidiary, INTERCO-MA Incorporated ("MA Inc."), a Delaware corporation, College-Town, Inc. ("College"), a Massachusetts corporation, and the undersigned shareholders of College (the "Warranting Shareholder(s)");

WITNESSETH:

WHEREAS, the parties hereto desire to merge College into MA Inc., with College Shareholders receiving common stock of INTERCO upon conversion of their shares in College.

Now, THEREFORE, in order to consummate and effect such reorganization and merger, and in consideration of the mutual covenants and undertakings hereinafter set forth, the parties do hereby approve and adopt this Agreement as a Plan of Reorganization and do mutually covenant and agree as follows:

ARTICLE I

MERGER OF MA INC. AND COLLEGE

1.1 Merger of College into MA Inc. On the Closing Date (as hereinafter defined) College shall be merged with and into MA Inc. upon the terms and subjects to the conditions set forth in the Agreement and Plan of Merger attached hereto as Exhibit A (the "Plan of Merger" or "Merger Agreement"). Pursuant to said Plan of Merger, the outstanding shares of College's Common Stock ("College Common Stock") shall be, on the effective date of the merger, automatically converted into INTERCO Common Stock on the basis of one share of INTERCO Common Stock for each 2.2 shares of Common Stock of College. The exchange ratio shall be appropriately and equitably adjusted in the event of any reclassification or increase or decrease in the number of the issued shares of Common Stock of INTERCO by reason of a split-up or consolidation of shares, the payment of a stock dividend, a recapitalization, a combination or exchange of shares or any like capital adjustment. It is understood that INTERCO will, upon consummation of the merger, own a 100% interest in College's assets and liabilities.

1.2 Issuance and Delivery of INTERCO Common Stock; No Fractional Shares. INTERCO agrees to issue to MA Inc., on or before the Closing Date, all shares of INTERCO Common Stock required to be delivered to the shareholders of College as a result of the transactions contemplated by this Agreement and the Merger Agreement. Certificates representing the shares of INTERCO Common Stock to be issued and delivered to former shareholders of College pursuant to the Merger Agreement shall be delivered and transferred on the Closing Date by MA Inc., as the Surviving Corporation of the Merger of College with and into MA Inc., to Mercantile Trust Company N.A., as Conversion Agent, and shall be redelivered by the Conversion Agent to former shareholders of College only upon surrender and cancellation of certificates representing shares of College outstanding at the Closing Date; provided, however, that neither INTERCO nor College nor the Conversion Agent shall have any obligation to issue fractional shares of INTERCO Common Stock to any former shareholder of College. In lieu of the issuance or recognition of fractional shares of INTERCO Common Stock or interests or rights therein, the Conversion Agent, Mercantile Trust Company, N.A., shall pay to each former shareholder of College otherwise entitled to a fractional share of INTERCO Common Stock an amount in cash equal to the fair market value of any such fractional share of INTERCO Common Stock to which such shareholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO Common Stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO Common Stock were sold on such Exchange. Unless and until any such outstanding certificates for common stock of College shall be surrendered for conversion, no dividend or other distribution payable to holders of record of Common Stock of INTERCO at or after the Closing Date shall be paid to the holders of such

outstanding certificates for Common Shares of College but upon surrender of such outstanding certificates as aforesaid there shall be paid to the record holder of the certificates for Common Stock of INTERCO delivered in exchange therefor the dividends and other distributions (without interest) that have theretofore become payable with respect to the Common Stock of INTERCO represented by the certificates delivered upon such surrender and exchange. Dividends and other distributions in respect of shares of INTERCO Common Stock held by the Conversion Agent for delivery upon presentation of non-surrendered College shares shall be held by the Conversion Agent for the account of such former shareholders of College.

1.3 Closing Date. The Closing of the transactions contemplated hereby shall take place at the offices of Hale and Dorr, 28 State Street, Boston, Massachusetts at 10:00 a.m. on August 23, 1974 (the "Closing Date"), provided that (a) the Merger Agreement and the transactions contemplated hereby are adopted and approved and (b) all conditions precedent to the Closing shall have been satisfied, or if all conditions precedent to the Closing have not been satisfied, the Closing Date shall be as soon thereafter as all such conditions shall have been satisfied; provided, however, that in no event shall the Closing Date occur later than October 30, 1974, without the consents of INTERCO's and College's respective Board of Directors.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE WARRANTING SHAREHOLDERS

Each of the undersigned Warranting Shareholders, jointly and severally, represents and warrants (which representations and warranties need be true only in all material respects and shall survive the Closing Date to the extent set forth in Article III), subject to the exceptions contained in the Financial Statements (as hereinafter defined) and in the Disclosure Schedule attached hereto as Exhibit B and except as specified by this Agreement, that:

2.1 Authority and Incorporation. College is a corporation duly organized and existing and in good standing under the laws of the Commonwealth of Massachusetts and is not qualified to conduct business in any other state, and has full corporate power under the Massachusetts Business Corporation Law to carry on its business and to own and operate its properties now owned or operated by it. College has one 50% owned subsidiary: Pinebrook Realty Corp., a Massachusetts corporation.

2.2 Capitalization. The authorized capital of College is 1,500,000 shares of \$1.00 par value Common Stock. The number of shares of said Common Stock which is now outstanding is 1,017,464 shares, all of which outstanding shares are, under the Massachusetts Business Corporation Law, validly issued, fully paid and nonassessable. Pending closing of the merger, no further shares of authorized but unissued capital stock of College will be issued except College may issue an appropriate number of its shares upon exercise of outstanding stock options, nor will any College shares be retired, purchased or acquired by College. Except for said stock options, College does not have outstanding any stock purchase warrants or other securities convertible into stock, and does not have any shares reserved for issuance but as yet not issued. Except for said stock options, College is not a party to any agreement obligating it to issue or transfer, at present or upon the occurrence of any further event, any stock of College.

2.3 Financial Statements. The financial statements ("Financial Statements") contained in College's Form 10-K for the fiscal year ended December 31, 1973, and contained in the unaudited report for the three months ended March 31, 1974, including the related schedules and notes, copies of which reports have been delivered to INTERCO, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, and fairly present the financial position, results of operations and changes in financial position of College and its subsidiaries as of said dates and for the periods indicated in conformity with generally accepted accounting principles consistently applied.

2.4 Accounts Receivable. The amount shown as trade accounts receivable of College and the amount due from factor, including any factored receivables with recourse, at March 31, 1974 shown on

the March 31, 1974 Balance Sheet (the "Balance Sheet"), and at the close of business on the day before the effective date of consummation of the merger, will represent good and collectible receivables at the amount so shown less the amount of the reserve in respect of such receivables, which reserve shall have been provided on a reasonable basis.

2.5 Inventories. The amount of inventories, as shown on the Balance Sheet, has been valued at the lower of cost (first in, first out) or market, after due allowance for obsolete, slow-moving and damaged stock in accordance with generally accepted accounting principles consistently applied.

2.6 Assets. College owns and will own all the assets set out in the Balance Sheet, except those disposed of since the date of said balance sheet, free and clear of any lien, charge or encumbrance, except as set forth therein and except as disclosed in or pursuant to this Agreement. Except for liens related to taxes not yet due and payable arising as a matter of law in the ordinary course of business and except for imperfections of title insignificant in character and amount, College has and shall have at Closing good and marketable title to all said assets, excluding real estate owned in fee or equitably listed in Exhibit C, which is subject to the representation and warranty set forth in Section 2.8 hereof.

2.7 Liabilities. All material liabilities of College, contingent or otherwise, as of the date of the Balance Sheet, required to be shown therein in accordance with generally accepted accounting principles, are set out in the Balance Sheet and any taxes then due or payable by College have been paid in full, or adequately provided for by reserves shown on its respective records and books of accounts.

All tax returns required to be filed have been filed and such returns accurately reflect the taxes due from College. The federal income tax returns for College have been examined by the Internal Revenue Service through December 31, 1971, and all deficiencies or refunds, if any, have been paid. The Warranting Shareholders shall be, therefore, jointly and severally, liable and responsible for reimbursement of all taxes of College due or subsequently assessed for periods prior to the Closing Date, to the extent they are not provided for or adequately reserved for in the Financial Statements.

There are no material liabilities of College of any kind whatsoever, including, but not limited to, liabilities under any current or previous employee pension or other benefit programs or compensation arrangements, whether or not accrued and whether or not determined or determinable, in respect of which INTERCO or any of its subsidiaries may become liable on or after consummation of the merger contemplated by this Agreement other than the following:

- (a) liabilities reflected or adequately reserved against in the Balance Sheet of College, including the notes to the Balance Sheet and the special ten percent common stock dividend voted by College's Board of Directors on February 25, 1974, paid on May 7, 1974 to shareholders of record April 12, 1974;
- (b) liabilities incurred in the ordinary course of business since March 31, 1974, none of which either alone or in the aggregate is materially adverse to the business, assets or results of operations of College; and
- (c) liabilities, obligations or commitments disclosed in an attached Disclosure Schedule.

2.8 Real Estate and Leases. College holds in fee, as equitable owner under contract of sale and/or under lease, all of the real property listed in Exhibit C. Exhibit C correctly sets forth for each parcel of such property (i) the location of the property, (ii) the approximate size of the premises, (iii) the nature of the interest of College in the property, and (iv) if the property is leased, the identity of the landlord. College has paid or accrued all rent due to date under the leases shown on Exhibit C, such leases permit the properties to which they apply to be used in the manner in which College is presently using them, and to the best of College's knowledge, it is not in default under any such lease.

2.9 Personality. Substantially all the equipment owned by College for use in its business is well maintained and in good condition, except for reasonable wear and tear. All leases of personality are set

forth in Exhibit D, attached hereto, and will be at Closing in good standing with all rental due to date paid or accrued.

2.10 Contracts. College is not a party to any sales agency agreement not subject to termination on notice of sixty (60) days or less, does not have any contracts not in the ordinary course of business for the purchase or sale of any merchandise, materials, products or supplies which contain escalator, renegotiation or redetermination clauses or which commit them for a fixed term, does not have any contracts of employment with any officer or employee, except as set forth in Exhibit E, does not have any pension or retirement plans or agreements, does not have any profit-sharing plan, nor does it have any management or consultation agreements. It is not a party to any agreements(s), involving more than \$50,000 in aggregate, entered into other than in the usual and ordinary course of business. College does not have any contract, order or commitment expected to be performed at a material loss. College carries various insurance policies with respect to its operations and these policies are set forth in Exhibit F attached hereto.

2.11 Litigation. Except as listed in the attached Exhibit G, there are no actions or proceedings pending by or against College before any court, administrative agency or arbitrator and there are no pending, or to their knowledge, threatened or imminent litigations, governmental claims, complaints or prosecutions involving College.

2.12 Purchase Commitments. College does not have any contract for the purchase or sale of merchandise, materials, products or supplies except those made in the ordinary course of business.

2.13 Working Relationships. College has no knowledge of other than good working relationships under substantially all of the sales representation, leasing or other agreements of College necessary to the normal operation of its businesses. College is a party to the collective bargaining agreements set forth in Exhibit H and College has not received any notice of a material default in same. With respect to employees of College who are not covered by any collective bargaining agreement, none has petitioned for a representation election and, to the best of College's knowledge, no union is presently attempting to organize any of these employees.

2.14 Trademarks and Trade Names. Exhibit I contains a complete and accurate list of all trademarks, trade names, patents, licenses and similar items owned by or licensed to College. College owns all trademarks, trade names, patents and similar items so noted, free and clear of any encumbrances or claims of any other persons and College has not been notified of any claim or action seeking to have such trademark, trade name, patent or similar items declared void or invalid.

2.15 Distribution and Loans. Since March 31, 1974, College has not, and will not up to the Closing Date, without the written consent of INTERCO, which consent shall not be unreasonably withheld: (i) declared or paid any special dividends, redeemed or otherwise reacquired any of its outstanding stock, or made any other distributions to its stockholders, except for a regular dividend of \$.075 per share which may be declared and paid prior to the Closing Date and a ten percent (10%) stock dividend paid on May 7, 1974, (ii) given any raises or bonuses to its officers or executive employees other than normal increases and bonuses. College has no outstanding loans, notes, bankers' acceptances, letters of credit and similar obligations except as set forth in the Disclosure Schedule.

2.16 Investments. College does not have any investments in, and has not made any advances to, any firms, persons or corporations, except as set forth in Exhibit J, and other than total advances not exceeding \$7,500 for any one person or \$20,000 in the aggregate.

2.17 Powers of Attorney. There are no outstanding powers of attorney issued by College, except for normal custom brokerage transactions.

2.18 No Violation. Except as disclosed in the aforementioned Disclosure Schedule, the consummation of the acquisition will not violate or result in a breach of or constitute a default under (1) any provision or restriction of any charter, By-Law, loan, indenture or mortgage of College or any of its subsidiaries, or (2) any provision or restriction of any lien, lease, agreement, contract, instrument, order, judgment, award, decree, ordinance or regulation or any other restriction of any kind or character to

which any property of College or any of its subsidiaries is subject or by which College or any of its subsidiaries is bound other than breaches or defaults under loan agreements referred to in the financial statements mentioned in Section 2.3 above, which will, as a condition of closing upon the part of INTERCO, have been waived or consented to by the lenders, and other than provisions requiring consent of another party for a successor corporation to become a party thereto, which consents will have been obtained or will have been waived by INTERCO by the time said acquisition is consummated.

2.19 Compliance With Law. Except as disclosed or as referred to in the financial statements mentioned in Section 2.3 above, including the notes thereto, or in the Disclosure Schedule referred to above, neither College nor any of its subsidiaries is in violation of any applicable laws, executive orders, rules, regulations or requirements of any governmental authority in any way relating to its business, including but not limited to, employment matters under the Civil Rights Act and Fair Labor Standards Act, pricing and wage matters under the Economic Stabilization Act of 1970, as amended, labelling under the Flammable Fabrics Act, and to the best knowledge of College and the Warranting Shareholders, now and at Closing, safety standards under the Federal Occupational Safety and Health Act, and, except as aforesaid, they are, and will be at Closing, in compliance with all presently and then applicable laws, executive orders, rules, regulations and requirements of all governmental authorities.

2.20 Brokerage, Investment Advisor, and Finder Fees. College has not employed any broker, investment advisor, or finder to whom a fee is payable in connection with this transaction except D. H. Blair Securities Corporation.

ARTICLE III INDEMNIFICATION

3.1 Representations and Warranties of Warranting Shareholders. All statements made by the Warranting Shareholders and/or College contained herein and/or in any certificate or other instrument delivered at the Closing by or on behalf of the Warranting Shareholders and/or College pursuant hereto shall be deemed representations and warranties by the Warranting Shareholders contained herein in addition to those set forth in Article II, and INTERCO shall be entitled to rely upon same. The Warranting Shareholders agree to certify to the aforesaid representations and warranties at the time of Closing and all representations and warranties shall survive the Closing Date (for the claim period(s) provided in Section 3.2 hereof) and any investigation made by or on behalf of INTERCO. The Warranting Shareholders, jointly and severally, agree, but with liability limited as to each Warranting Shareholder to the then market value of 25,000 shares of INTERCO stock received by each such Warranting Shareholder at Closing reduced appropriately by the amount paid on prior claims, converted into shares of INTERCO based on market value of said shares at the time each respective amount is paid, to indemnify and reimburse INTERCO and/or any of its subsidiaries from and for any loss, liability or expenses arising out of breach of the representations, warranties and agreements contained herein, which are made by the Warranting Shareholders, and the foregoing is the sole and exclusive remedy of INTERCO and/or any of its subsidiaries for any such breach. If any claim is brought by INTERCO or any of its subsidiaries against either or both of the Warranting Shareholders arising out of this Agreement or the transactions contemplated hereby, and such Warranting Shareholder is determined by the final, unappealable judgment of a court to not be liable to INTERCO with respect to such claim, INTERCO shall reimburse the Warranting Shareholders for all reasonable expenses (including attorney's fees and costs) incurred by the Warranting Shareholders in the defense of such claim.

3.2 Limitation. Notwithstanding anything to the contrary contained herein, the Warranting Shareholders shall not be liable for the first \$100,000 (after tax), in excess of the applicable reserves, of the aggregate net loss, liability and expense suffered by INTERCO and/or any of its subsidiaries by reason of any breach of any of the aforesaid warranties and representations. Also, any indemnification by the Warranting Shareholders shall be limited to losses claimed by written notice to them within three (3) years from the Closing Date except with respect to losses resulting from accounts receivable, net of

reserves, and overstatement of inventories as to value as of Closing Date which shall be claimed by written notice within one (1) year from the Closing Date and except for tax deficiencies in which case the claim period within which written notice must be received shall extend until the applicable Statute of Limitation expires (excluding any extension of the original period of limitations without the prior written consent of the Warranting Shareholders). It is understood that any loss collectible hereunder shall be net loss after due allowance for insurance, tax benefits of such losses notwithstanding when recoverable and similar beneficial adjustments and/or recoveries, if any, in excess of reserves or stated values at the Closing Date.

3.3 Notice. Whenever INTERCO shall learn of a claim against it and/or any of its subsidiaries which, if allowed (whether by voluntary payment, by settlement or compromise, or by judicial or quasi-judicial decision), would constitute a breach giving rise to a right of indemnification from the Warranting Shareholders hereunder, before paying the same or agreeing thereto, INTERCO shall promptly notify the Warranting Shareholders in writing of the facts within its knowledge with respect to such claim and amount thereof. If, prior to the expiration of thirty days from the mailing of such notice, the Warranting Shareholders shall request in writing that such claim not be paid, the same shall not be paid, and the Warranting Shareholders shall, upon behalf of INTERCO and/or any of its subsidiaries, settle, compromise or litigate in good faith such claim, employ either their own attorneys or INTERCO's attorneys (subject to control by the Warranting Shareholders) to do so; provided, however, that INTERCO shall not be required to refrain from paying any claim which has matured by court judgment or decree, unless appeal is taken therefrom and proper appeal bond posted by the Warranting Shareholders, nor shall it be required to refrain from paying any claim where such action would result in the foreclosure of a lien upon any of the property or assets then held by INTERCO or any of its subsidiaries, or a default in a lease or other contract except a lease or other contract which is the subject of the dispute. If the Warranting Shareholders elect to settle, compromise or litigate such claim, all reasonable expenses, including (but not limited to) all amounts paid in settlement or to satisfy judgments or awards and attorney's fees and costs, all of the foregoing subject to the aforesaid 50,000 share liability limitation set forth in 3.1, incurred by the Warranting Shareholders in settling, compromising or litigating such claim shall be promptly paid by INTERCO or promptly reimbursed to the Warranting Shareholders by INTERCO to the extent of any unused balance of the \$100,000 (after tax) threshold of liability provided for in Section 3.2 hereof, and all other expenses of settling, compromising or litigating such claim shall be paid by the Warranting Shareholders. INTERCO shall cooperate fully to make available to the Warranting Shareholders all pertinent information under its control.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF INTERCO

INTERCO represents and warrants (which representations and warranties shall be true in all material respects and shall survive the Closing Date) that:

4.1 Authority and Incorporation. INTERCO is a corporation duly organized and existing and in good standing under the laws of the State of Delaware and is qualified to do business in, and is in good standing in, all states where it is required to do so. INTERCO has full corporate power to carry on its businesses and to own and operate the properties and assets now owned and operated by it.

4.2 INTERCO Common Stock. All of the shares of INTERCO Common Stock outstanding on the date hereof are, and all of the shares of INTERCO Common Stock outstanding immediately after the Closing Date, will be, duly authorized, validly issued, fully paid and nonassessable, and duly listed on the New York Stock Exchange.

4.3 Status of Shares Issued on Conversion. The shares of INTERCO stock to be delivered pursuant to this transaction will, when so delivered, be validly issued and outstanding, fully paid and nonassessable.

4.4 Financial Statements. The financial statements contained in INTERCO's Form 10-K for the fiscal year ended February 28, 1974 including the related schedules and notes, a copy of which report has been delivered to College, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, and fairly present the financial position, results of operations and changes in financial position of INTERCO and its subsidiaries as of said dates and for the periods indicated in conformity with generally accepted accounting principles consistently applied.

4.5 No violation. The consummation of the acquisition will not violate or result in a breach of or constitute a default under (1) any provision or restriction of any charter, By-Law, loan, indenture or mortgage of INTERCO or any of its subsidiaries, or (2) any provision or restriction of any lien, lease, agreement, contract, instrument, order, judgment, award, decree, ordinance or regulation or any other restriction of any kind or character to which any property of INTERCO or any of its subsidiaries is subject or by which INTERCO or any of its subsidiaries is bound.

4.6 Authorization of Merger. Neither the execution of this Agreement nor the consummation of the transaction herein provided required approval of the holders of any class of INTERCO capital stock.

4.7 Brokerage, Investment Advisor, and Finder Fees. INTERCO has not employed any broker, investment advisor, or finder to whom a fee is payable in connection with this transaction.

4.8 Survival of Warranties. The representations and warranties of INTERCO set forth herein shall be true on and as of the Closing Date as though such representations and warranties were also made at that time, and shall survive the Closing Date and any investigation by or on behalf of the Warranting Shareholders and/or College.

ARTICLE V

RESTRICTIONS PENDING CONSUMMATION OR TERMINATION OF TRANSACTION

5.1 Restriction on Operations. During the period from the date hereof to the date of consummating the merger provided for herein or until the transactions with regard thereto have been terminated, College and the Warranting Shareholders will take such action as may be necessary to insure that College shall conduct its operations according to its ordinary and usual course of business, which College is hereby authorized to do, and shall maintain its records and books of account in a manner that fairly and correctly reflects its income, expenses, assets and liabilities in accordance with generally accepted accounting principles consistently applied. During the period College shall not, and the Warranting Shareholders will take such action as may be necessary to insure that College will not, without the written consent of INTERCO, which consent shall not be unreasonably withheld:

(a) Pay or incur any obligation or liability absolute or contingent, other than (i) matured obligations and liabilities set forth on the Balance Sheet, (ii) liabilities matured or incurred after March 31, 1974, in the ordinary course of business, (iii) liabilities disclosed in the Disclosure Schedule or in any of the exhibits hereto, (iv) non-material liabilities or obligations, or (v) as otherwise permitted by the terms of this Agreement.

(b) Other than in the ordinary and usual course of business, incur or guarantee any indebtedness for borrowed money, assume or endorse or otherwise as an accommodation become responsible for obligations of any other individual, firm or corporation, or make loans or advances to any individual, firm or corporation.

(c) Declare or pay any dividends or make any payment or distribution to shareholders as such or purchase or otherwise acquire for value any of its outstanding capital stock, except that a regular dividend of \$.075 per share may be declared and paid prior to the Closing Date.

(d) Mortgage, pledge or voluntarily subject to lien or other encumbrance any of its properties or assets and shall promptly notify INTERCO in writing of any other lien or encumbrance created against any of its properties or assets.

(e) Other than in the ordinary and usual course of business, sell or transfer any of its properties or assets or cancel, release or assign any indebtedness owed to them.

(f) Other than in the ordinary and usual course of business and except pursuant to contracts for the purchase of capital assets already entered into, make any investment of a capital nature either by the purchase of stock or securities, by contributions to capital of any firm or corporation or by property transfers or otherwise, or purchase any material amount of property or assets of any other individual, firm or corporation.

(g) Except in the ordinary course of business: enter into any agreement not subject to termination on notice of sixty (60) days or less, except as provided in paragraph (h) below, any contract for the purchase or sale of any materials, products or supplies, any management or consultation agreement, any lease, license, royalty or union agreement, or any other agreement not in the usual and ordinary course of business; or make any material change in its insurance or advertising.

(h) Increase in any manner the compensation of its officers or executive employees other than normal salary increases and bonuses and except as set forth in the Disclosure Schedule annexed to this Agreement; commit themselves to any additional pension, retirement, or profit-sharing plan or agreement with or for the benefit of any officer, employee or other person; or commit itself to any employment agreement with any person which provides for a term of more than one(1) year.

(i) Issue, transfer, grant options to buy, or enter into agreements to sell, any authorized but unissued shares of College or treasury shares of College, except College may issue an appropriate number of its shares upon the exercise of outstanding stock options.

(j) Enter into any material transaction not in the ordinary course of business except as set forth in the Disclosure Schedule annexed to this Agreement.

(k) Discontinue operations of any facilities presently operated by College or make any extraordinary sales or purchases of merchandise or conduct business other than in the ordinary course of business.

ARTICLE VI

INVESTIGATION BY INTERCO

6.1 Access to Records. During the period from the date of this Agreement to the Closing Date, INTERCO and its representatives shall be given free access to the offices, records, files, stock books and minute books, books of account and copies of tax returns of College for the purpose of conducting an investigation of its financial condition, corporate status, liabilities, contracts, business operations, property and title thereto, litigation, patents, trademarks, copyrights and all other matters relating to its businesses, properties and assets; provided, however, that such investigation shall be conducted in a manner that does not unreasonably interfere with its normal operations and employee relationships. College shall cause its personnel to assist INTERCO in making such investigation and to make its counsel, accountants, employees and other representatives available for such purposes. During such investigation, INTERCO shall have the right to make copies of such records, files, tax returns and other materials as it may deem advisable.

6.2 Return of Documents. If the merger is not consummated, each party shall treat all information obtained in such investigation, and not otherwise known to said party or already in the public domain, as confidential and INTERCO shall return to College all papers and records furnished pursuant hereto, and all copies made by it of material belonging to College. This latter undertaking with respect to nondisclosure of confidential information is of the essence and will survive any termination of the contemplated transaction.

ARTICLE VII

CONDITIONS OF AGREEMENT

This Agreement is made expressly contingent upon satisfaction of the following conditions:

7.1 Approvals. Such approvals as may reasonably be required by counsel for INTERCO and counsel for College.

7.2 Legal Assurances. Satisfactory assurance as to legal matters, including legal opinions, if deemed appropriate, at the request of either of the parties.

7.3 Tax Matters. Satisfactory assurance as to tax matters, including legal opinions if deemed appropriate.

7.4 Pooling of Interests. A written confirmation from INTERCO's auditing firm, Peat, Marwick, Mitchell & Co., that the proposed transaction qualifies for a "pooling of interests" and the acceptance of such accounting treatment by the New York Stock Exchange.

7.5 Employment Agreements. Execution of Employment Agreements with Gerald Sibley and A.M. Sibley, which agreements shall provide for non-competition for a three (3) year period upon termination of said employment.

7.6 No Adverse Change. No material adverse change shall have taken place in the status of College and/or INTERCO, which change, at the time the merger described herein is to be consummated, would make it inadvisable or impractical, in the sole opinion of the Board of Directors of INTERCO and/or the Board of Directors of College, for the transaction to be consummated.

7.7 Absence of Litigation. No suit, action or other proceeding or investigation shall be threatened or pending before any court or governmental agency (i) to restrain or prohibit, or to obtain damages or other relief in connection with, this Agreement, or the consummation of the transactions contemplated hereby, or (ii) on account of any matter or for any claim against College not disclosed in this Agreement and which, in the reasonable judgment of INTERCO, may adversely affect the business or financial condition of College.

ARTICLE VIII

PAYMENT OF EXPENSES

8.1 Payment of Fees and Expenses. Each corporate party to this Agreement, i.e., INTERCO being one party and College being the other party, shall promptly pay the costs and expenses incurred at any time prior to or after the Closing Date by it or by others and properly allocable to it in connection with conducting the negotiations leading to this transaction of performing or otherwise carrying out the provisions of this transaction.

ARTICLE IX

SECURITIES ACT OF 1933

9.1 Registration Required; Preparation, Filing and Effectiveness of Registration Statement. INTERCO and College acknowledge that the transactions contemplated hereby are subject to the provisions of the Securities Act of 1933, as amended (the "Act"), and Rule 145 thereunder. INTERCO agrees to prepare promptly and file a registration statement (the "Registration Statement") under and pursuant to the provisions of the Act for the purposes of registering the shares of INTERCO Common Stock to be issued in connection with the transactions contemplated hereby. College agrees to prepare promptly a Proxy Statement for the purpose of submitting the transaction contemplated hereby to its stockholders. Both parties agree to provide promptly to the other information concerning the business and financial condition and affairs of their respective companies as may be required or appropriate for inclusion in the Registration Statement and Proxy Statement and to cause its counsel and auditors to

cooperate with the other's counsel and auditors in the preparation of such Registration Statement. INTERCO and College agree to use their respective best efforts to have such Registration Statement declared effective under the Act as soon as may be practicable and to distribute the prospectus contained in such Registration Statement (the "Prospectus") to the shareholders of College not less than thirty (30) days prior to the date upon which this Agreement, the Merger Agreement and the transactions contemplated hereby are submitted to the shareholders of College for approval and adoption. College agrees to postpone the special meeting of its shareholders in the event that the thirty (30) day requirement would not be fulfilled. Except to the extent permitted by Rule 145(b), INTERCO and College agree not to publish any communication, other than the Registration Statement or notice and proxy material accompanied by the Prospectus, in respect of this Agreement, the Plan of Merger or the transactions contemplated hereby. INTERCO shall not be required to maintain the effectiveness of the Registration Statement or the Prospectus for the purpose of resale by the Affiliates of College, as such term is used in Rule 145. The certificate or certificates representing shares of Common Stock issued to Affiliates may bear a restrictive legend, in substantially the following form, prohibiting sale or transfer except as contemplated herein and the Registration Statement:

"The shares represented by this certificate have been issued or transferred to the registered holder as a result of a transaction to which Rule 145 under the Securities Act of 1933, as amended (the "Act") applies. The shares represented by this certificate may not be sold, transferred or assigned, and the issuer shall not be required to give effect to any attempted sale, transfer or assignment, except (i) pursuant to current registration under the Act, (ii) a transaction permitted by Rule 145 and as to which the issuer has received reasonably satisfactory evidence of compliance with the provisions of Rule 145 or (iii) a transaction which, in the opinion of counsel satisfactory to the issuer or as described in a "no action" or interpretive letter from the staff of the Securities and Exchange Commission, is not required to be registered under the Act."

Should the aforesaid opinion under (iii) above indicate that the legend and stop-transfer orders may be removed, INTERCO will substitute unlegended certificates and remove any stop-transfer orders from the certificates in question. Certificates representing shares of the INTERCO Common Stock issued to College shareholders other than Affiliates will not bear the foregoing legend.

9.2 Registration Rights of Affiliates. In the event that one or more Affiliates of College, as such term is used in Rule 145, should desire to effect sales of shares of INTERCO Common Stock received as a result of the transactions contemplated hereby other than pursuant to the provisions of Rule 145 or in the event that Rule 145 is not available for resales, INTERCO agrees that said shares may be sold and that INTERCO will, at any time, and from time to time after the Closing Date upon request of one or more Affiliates of College, use its best efforts to cause the shares proposed to be sold to be promptly registered on Form S-16, if available, under the Act, subject to the following terms, conditions and understandings:

(i) The Affiliate or Affiliates will not sell or in any other way dispose of their shares of INTERCO Common Stock received in the transaction until such time as financial results covering at least thirty (30) days of post merger operations have been published. Immediately thereafter, INTERCO shall use its best efforts to register on Form S-16 up to 30,000 shares of said stock for each Affiliate so as to enable these shareholders to sell same as soon as possible after Closing. INTERCO shall use its best efforts to keep said registration statement effective for a period of at least ninety (90) days.

(ii) The Affiliate or Affiliates desiring to sell in a registered offering (the "Selling Shareholders") shall make a written request to INTERCO for the registration of shares of INTERCO Common Stock, specifying the number of shares to be registered (which number shall be greater than the amount which could then be sold under Rule 145) and the names of the Selling Shareholders. INTERCO shall then use its best efforts to promptly register said shares under said Form S-16, if available, and under any applicable state security laws, and to keep such registration statement

effective for a period of at least ninety (90) days; provided, however, that INTERCO shall not be required to file more than one such registration during each calendar year. In the event by reason of piggyback rights of others, the number of shares involved in said proposed registration increases 100% or more, INTERCO shall have the right to determine that said public offering should be underwritten and INTERCO may, at its option, control the manner of said underwriting, but such control shall not unreasonably interfere with said offering and shall not adversely affect the interest of the Selling Shareholders of College or prejudice their right to withdraw their registration request. Should said Form S-16 not be available for said registration, INTERCO shall use its best efforts to promptly register said shares under another registration form permitting comparable public sales (e.g. Form S-1 or S-7) and under any applicable state security laws, and keep such registration statement effective for a period of at least nine (9) months, provided same can be done by stickering the prospectus for any required change, but said registration shall in any case be effective for at least six (6) months; provided, however, that INTERCO shall not be required to file more than one such registration statement within five (5) years after Closing Date. Notwithstanding the foregoing, if the Affiliates are not entitled to sell their said shares under Rule 145, or to require registration under Form S-16 for a consecutive period of six (6) months (whether such six (6) month period be during or after the aforesaid five (5) year period), they shall have the right to request at any time during said disability that INTERCO use its best efforts to promptly register their shares under an applicable Form permitting public sales (e.g. Forms S-16, S-1, or S-7) and under any applicable state securities laws and INTERCO shall do so, and such registration shall be in addition to the registration right set forth in the preceding sentence and kept in effect for the same period of time. In connection with any registration of shares under this Section 9.2 (i), (ii) and/or (iii), except for filing fees, transfer taxes, underwriter's fees and expenses, and the fees of any counsel to the Selling Shareholders, all of which shall be borne by the Selling Shareholders, INTERCO shall bear all other expenses, including but not limited to, accounting fees, counsel fees and printing expenses. INTERCO will promptly deregister any of said shares upon appropriate request of said Selling Shareholders.

(iii) In addition to the foregoing, during a period of five (5) years after the Closing Date, the Affiliate or Affiliates of College who receive INTERCO Common Stock upon the consummation of the merger shall be entitled to piggyback rights on any and all INTERCO registrations of securities under the Securities Act of 1933 and under any applicable state security laws (except registration of any stock offered or to be offered to employees of INTERCO or its subsidiaries or registrations pertaining to stock used or to be used in acquisitions). INTERCO will, prior to any such registration, give the aforesaid Affiliate or Affiliates written notice of its intention, indicating the approximate time when it is anticipated that the registration will be filed. If within fifteen (15) days after the giving of such notice, INTERCO shall have received written notice from one or more of the aforesaid Affiliates (a) stating that they desire to sell a number of shares in excess of that permitted by Rule 145, (b) requesting that all such shares be included in the registration, and (c) agreeing to furnish promptly upon request information in reasonable detail as to the method of disposition of such shares, also the net consideration, after all commissions, discounts, costs and expenses, which such of the Affiliates, their successors or assigns, expect to receive upon such disposition, INTERCO shall include such shares in the registration statement and use its best efforts to cause such registration statement to promptly become effective. INTERCO also agrees to use its best efforts, if such Affiliates have so requested in their said notices, to include, if such inclusion is practicable in the opinion of the underwriter and the INTERCO Board of Directors, such shares in any arrangements made for the underwriting or other distribution plans made for other securities of the same class being offered pursuant to said registration statement. INTERCO shall control the manner of said public offering but such control shall not unreasonably interfere with said offering and shall not adversely affect the interests of the Selling Shareholders or prejudice their right to withdraw their registration request. All filing fees and underwriter's fees and expenses to be paid by the Selling Shareholders as provided in Section 9.2(ii) above shall, as between the persons whose shares are being registered, be borne pro rata to the number of shares so registered.

(iv) In connection with any registration under federal and state securities laws referred to in this Section 9.2, INTERCO will indemnify and hold harmless the Selling Shareholders, and each other person, if any, who controls any of the Selling Shareholders within the meaning of the Securities Act of 1933, against any losses, claims, damages or liabilities, joint or several, to which such Selling Shareholders or controlling persons become subject, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement or final prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such Selling Shareholders and controlling persons for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such losses, claims, damages, liabilities or actions; provided, however, that INTERCO will not be liable in any such case to the extent that any such losses, claims, damages or liabilities arising out of or based upon untrue statement or alleged untrue statement or omission or alleged omission made in any such registration statement, or such prospectus or amendment or supplement, in reliance upon and in conformity with information furnished by College and/or the person seeking the indemnity for use in the preparation thereof. Likewise, in connection with any registration under federal and state securities laws referred to in this Section 9.2, the Selling Shareholders will indemnify and hold harmless INTERCO, and each other person (if any) who controls INTERCO within the meaning of the Securities Act of 1933, against any losses, claims, damages or liabilities, joint or several, to which INTERCO or controlling persons become subject, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue or alleged untrue statement of any material fact contained, on the effective date thereof, in any registration statement or final prospectus contained therein or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse INTERCO and such controlling persons for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such losses, claims, damages, liabilities or actions; in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in such registration statement or such prospectus or amendment or supplement, in reliance upon and in conformity with written information furnished to INTERCO by College prior to the transaction contemplated hereby and/or the Selling Shareholders against whom indemnity is sought for use in the preparation thereof.

(v) All reference herein to Form S-16, S-7 and S-1 refer also to any other comparable registration statement which might be substituted for such forms in the future. All references herein to Rule 145 refer also to any rule which might be substituted for Rule 145 in the future and provides for comparable public sale by Affiliates of College.

9.3 Contribution Rights; Violations of Federal or State Securities Laws.

(i) INTERCO and its directors agree not to seek damages and/or contribution from College or any director or officer of College, or any Warranting Shareholder, in connection with any loss and/or liability INTERCO and/or its directors may incur arising directly or indirectly out of any material misstatement concerning INTERCO or material omission concerning INTERCO contained in the Form S-14 Registration Statement and Proxy Statement referred to in Section 9.1 hereof. College, its directors and the Warranting Shareholders agree not to seek damages and/or contribution from INTERCO, or any director or officer of INTERCO, in connection with any loss and/or liability College, its directors and such Warranting Shareholders may incur arising directly or indirectly out of any material misstatement concerning College or material omission concerning College contained in the Form S-14 Registration Statement and Proxy Statement referred to in Section 9.1 hereof.

(ii) Any liability to INTERCO of any director or officer of College or any Affiliate of College, or of any other person (if any) who controls such director, officer or Affiliate within the meaning of the Securities Act of 1933, arising directing or indirectly out of any violation of federal or state securities laws in connection with this Agreement or the transactions contemplated hereby (including the filing of the Form S-14 Registration Statement) or arising from any damages and/or contribution rights of INTERCO not waived by INTERCO in Section 9.3(i), shall be and is hereby assumed by Warranting Shareholders on behalf of said director or officer of College and shall be limited to the then market value of the 25,000 shares of INTERCO stock received at Closing by each such Warranting Shareholder reduced appropriately by the amount paid on prior claims pursuant to 3.1 and which liability shall be further subject to the \$100,000 (after tax) threshold of liability provided in Section 3.2 hereof.

(iii) The warranties and representations of the Warranting Shareholders contained in Sections 2.18 and 2.19 hereof and the warranty and representation of INTERCO contained in Section 4.5 hereof shall not apply to the Form S-14 Registration Statement referred to in Section 9.1 hereof or to violations of law, rules or regulations arising therefrom (including, without limitation, the filing under the Securities Act of 1933 of such Form S-14).

ARTICLE X

DELIVERY OF DOCUMENTS

10.1 Closing Documents. Each party will deliver or cause to be delivered such documents, instruments, stock certificates, stock powers, opinions of counsel, certifications, notices and further assurances as counsel for the respective parties may reasonably require as necessary or desirable in connection with the consummation of the transactions provided for under this Agreement.

10.2 Further Documents. After the Closing, each party hereto shall, at the request of any other, furnish, execute and deliver such documents, instruments, opinions of counsel, certificates, notices or other further assurances as counsel for the requesting party shall reasonably require as necessary or desirable for effecting complete consummation of this Agreement.

ARTICLE XI

TERMINATION

This Agreement may be terminated under any of the following circumstances by notice sent (except as otherwise stated) on or before the Closing Date:

11.1 INTERCO Rights. INTERCO shall have the right to terminate if during the period from the date hereof to the Closing Date any of the following occur:

(i) If College shall suffer any loss from fire, flood, explosion or other casualty which substantially adversely affects the conduct of its business or the value of its assets.

(ii) INTERCO shall learn of any material fact or condition with respect to the business, properties or assets of College, which is substantially at variance adversely with one or more of the warranties or representations as set forth in this Agreement.

(iii) Any material adverse change shall have taken place in the status of INTERCO or College, which change, at the time of Closing, would make it inadvisable or impractical, in the opinion of the INTERCO Board of Directors, to consummate the merger.

(iv) If College shall have taken any action contrary to any one or more of the prohibitions set forth in Article V of this Agreement.

(v) INTERCO shall not have received on or before the Closing Date all such approvals as may reasonably be required by counsel for INTERCO.

(vi) INTERCO, shall not have received the opinions of Peat, Marwick, Mitchell & Co. and the New York Stock Exchange that the merger qualifies for "pooling of interests" treatment.

(vii) The shares of INTERCO Common Stock to be issued hereunder are not accepted for listing by the New York Stock Exchange; however, INTERCO will use its best efforts to obtain such listing.

(viii) Any of the conditions of this Agreement set forth in Article VII hereof are not satisfied.

11.2 College Rights. College shall have the right to terminate if during the period from the date hereof to Closing any of the following shall occur:

(i) INTERCO shall suffer any loss from fire, flood, explosion, or other casualty which substantially adversely affects the conduct of its business or the value of its assets.

(ii) College shall learn of any material fact or condition with respect to the business, properties or assets of INTERCO which varies substantially and adversely from one or more of the warranties or representations as set forth in this Agreement.

(iii) Any material adverse change shall have taken place in the status of INTERCO or College, which change, at the time of Closing, would make it inadvisable or impractical, in the opinion of the Board of Directors of College to consummate the merger.

(iv) College shall not have received on or before Closing all such approvals as may reasonably be required by counsel for College.

(v) The shares of INTERCO Common Stock to be issued hereunder are not accepted for listing by the New York Stock Exchange.

(vi) Any of the conditions of this Agreement set forth in Article VII hereof are not satisfied.

11.3 Additional Rights. Anything herein or elsewhere to the contrary notwithstanding, this Agreement may be terminated and abandoned by mutual consent of the Boards of Directors of the corporate parties hereto prior to the effective date of the merger, even after College shareholder approval has been obtained. Also, any party may terminate this Agreement, if such party is informed and in good faith believes that litigation may be instituted by a governmental agency, which, if successful, would preclude such transaction.

11.4 Effect of Termination. If this Agreement shall not be consummated, no party shall be liable to any other for any loss, damage, or expense, except for the confidential undertakings set forth in Article VI above.

ARTICLE XII

MISCELLANEOUS

12.1 Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly delivered if delivered in person or sent by first class registered or certified mail, return receipt requested, postage prepaid.

(a) If to any one or more of the Warranting Shareholders, to their address noted below their respective signature line, with a copy to Norman B. Asher, Hale and Dorr, 28 State Street, Boston, Massachusetts.

(b) If to College, to the President, College-Town, Inc., College-Town Drive, Braintree, Massachusetts 02184, with a copy to Norman B. Asher, Hale and Dorr, 28 State Street, Boston, Massachusetts.

(c) If to INTERCO, to the Secretary, INTERCO INCORPORATED, Ten Broadway, St. Louis, Missouri 63102, with a copy to Ronald L. Aylward, Esq. at the same address.

The designation of the person to be so notified or the address of such person may be changed by similar written notice.

12.2 College Stock Options. The only outstanding stock options of College pertain to an aggregate of approximately 23,650 shares of College's Common Stock. Upon the Closing Date, INTERCO shall assume the unexercised stock options, proportionately adjusting the price and the number of substituted INTERCO Common shares issuable upon the exercise of such options and permit those options which are qualified stock options to continue as such. No further options shall be granted, except with INTERCO's written consent.

12.3 Persons Bound. This Agreement shall be binding upon and shall inure to the benefit of the undersigned parties, the successors and assigns of the corporate parties hereto, and the executors, administrators, heirs, successors and assigns of the Warranting Shareholders.

12.4 Waiver or Amendment. Any of the provisions of this Agreement may be waived or amended at any time by the parties hereto, prior to or after the vote hereon of the stockholders of College, by agreement in writing approved by the Board of Directors of each corporate party and the Warranting Shareholders and executed in the same manner (but not necessarily by the same persons) as this Agreement, provided that any such waiver or amendment effected after the last vote of the stockholders of College hereon shall not, in the judgment of the Board of Directors of College, affect materially and adversely the benefits of College's stockholders intended under this Agreement, unless such waiver or amendment is subsequently approved by College's stockholders.

12.5 General Provisions. This Agreement may be executed simultaneously in several counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument. This Agreement constitutes the whole Agreement and expressly supersedes the Memorandum of Intent dated May 24, 1974, among the parties. It is understood and agreed that in entering into this Agreement, no party has relied on any oral representations, warranties, or information made or given by any party hereto, or his or its representatives.

INTERCO INCORPORATED

By W. L. EDWARDS, JR.
Senior Executive Vice President

INTERCO-MA Incorporated

By W. L. EDWARDS, JR.
President

College-Town, Inc.

By GERALD SIBLEY
President

Warranting Shareholders:

GERALD SIBLEY
Gerald Sibley
College-Town Drive
Braintree, Massachusetts

A. M. SIBLEY
A. M. Sibley
College-Town Drive
Braintree, Massachusetts

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement of Merger") made as of the 24th day of June, 1974 by and between INTERCO-MA Incorporated, a Delaware corporation ("MA Inc."), and College-Town, Inc., a Massachusetts corporation ("College"), such corporations being hereinafter sometimes collectively called the "Constituent Corporations";

WITNESSETH:

WHEREAS, MA Inc. is a corporation duly organized and existing under the laws of the State of Delaware, has its registered office in the State of Delaware at 229 South State Street in the City of Dover, County of Kent, and the name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.; and

WHEREAS, MA Inc. has a capitalization consisting of 462,500 authorized shares of common stock, without par value, of which 462,500 shares are issued and outstanding; and

WHEREAS, College is a corporation duly organized and existing under the laws of the Commonwealth of Massachusetts, has its registered office in the Commonwealth of Massachusetts at College-Town Drive in the Town of Braintree; and

WHEREAS, College has a capitalization consisting of 1,500,000 shares of Common Stock, \$1.00 par value, of which 1,017,464 shares are issued and outstanding; and

WHEREAS, the respective Boards of Directors of MA Inc. and College deem it advisable for the mutual benefit of the Constituent Corporations and their respective stockholders that College be merged with and into MA Inc. pursuant to the General Corporation Law of Delaware, upon the terms and subject to the conditions hereinafter provided, and such Boards of Directors have approved and adopted this Agreement of Merger;

Now, THEREFORE, MA Inc. and College agree that pursuant to the applicable law of Delaware and subject to the terms and conditions hereinafter set forth, College shall be merged into MA Inc. and that the terms and conditions of such merger, including the mode of carrying the same into effect, shall be as follows:

1.1 The merger shall become effective upon the date ("Merger Date") of the filing of this Agreement of Merger with the office of the Secretary of State of Delaware whereupon College shall be merged into MA Inc. MA Inc. shall be the surviving corporation and it shall continue to be governed by the laws of the State of Delaware. MA Inc. as such surviving corporation is hereinafter sometimes referred to as the "Surviving Corporation." The Articles of Incorporation of MA Inc. will be amended so as to change the name of MA Inc. to College-Town, Inc. immediately after the Agreement of Merger is effective.

ARTICLE II

2.1 From and after the Merger Date, the Certificate of Incorporation of MA Inc. as in effect immediately prior to the Merger Date shall continue in full force and effect as the Certificate of Incorporation of the Surviving Corporation until it shall thereafter be further amended in accordance with law. The Surviving Corporation reserves the right to amend, alter, change, or repeal after such merger any provision contained in its Certificate of Incorporation, and all rights conferred in this Agreement of Merger are subject to such reserved power.

2.2 The By-Laws of MA Inc. as in effect immediately prior to the Merger Date shall continue in full force and effect as the By-Laws of the Surviving Corporation until they shall thereafter be duly amended.

2.3 The directors of MA Inc. immediately prior to the Merger Date shall be the directors of the Surviving Corporation to hold such offices, subject to the By-Laws of the Surviving Corporation, until their successors are elected and qualified.

The officers of MA Inc. immediately prior to the Merger Date shall be the officers of the Surviving Corporation and shall hold office, subject to the By-Laws of the Surviving Corporation, at the pleasure of the Board of Directors.

2.4 Upon the Merger Date, the effect of the merger shall be as provided in the applicable provisions of the Delaware law. Without limiting the generality of the foregoing, and subject thereto, upon the Merger Date: the separate existence of College shall cease, and the Surviving Corporation shall possess all the rights, privileges, powers and franchises as well of a public as of a private nature, and shall be subject to all of the restrictions, disabilities and duties of College; and all and singular, the rights, privileges, powers and franchises of College and all property, real, personal and mixed, and all debts due to College on whatever account, as well as all other things in action or belonging to College shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired, but all rights of creditors and all liens upon any property of either of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of College shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

ARTICLE III

The manner and basis of converting the shares of each of the Constituent Corporations into shares or other securities of the Surviving Corporation shall be as follows:

3.1 The shares of common stock of MA Inc. outstanding on the Merger Date shall not be converted as a result of the merger and shall remain outstanding as shares of the Surviving Corporation.

3.2 Forthwith upon the Merger Date, the outstanding shares of the common stock of College shall be automatically converted into and become shares of common stock of INTERCO INCORPORATED ("INTERCO"), parent company of MA Inc., which shares are owned by MA Inc., the conversion being on the basis of one share of INTERCO Common Stock for each 2.20 outstanding shares of common stock of College. College has no treasury shares.

3.3 From and after the Merger Date, the holders of certificates representing the common stock of College prior to the merger shall cease to have any rights with respect to such shares, and their sole rights (other than as explicitly set forth herein) shall be to receive the common stock of INTERCO into which their shares have been automatically converted pursuant to the merger as provided in this Article III. After the Merger Date each holder of an outstanding certificate or certificates theretofore representing common shares of College shall be entitled, upon surrender of the same (duly endorsed) to receive in exchange therefor a certificate or certificates representing the number of whole shares of common stock of INTERCO into which shares of College theretofore represented by the certificate or certificates so surrendered shall have been converted as aforesaid. No fractional shares of common stock of INTERCO shall be issued on conversion of the common stock of College pursuant to this Agreement of Merger. In lieu of the issuance or recognition of fractional shares of INTERCO common stock or interests or rights therein, the Conversion Agent, Mercantile Trust Company N.A. shall pay to each former shareholder of College otherwise entitled to a fractional share of INTERCO common stock an amount in cash equal to the fair market value of any such fractional share of INTERCO common stock to which such shareholder would be entitled but for this provision. For purposes of such payment the fair market value shall be the same fraction of the last sale price of the INTERCO common stock on the New York Stock Exchange on the last day prior to the Closing Date on which any shares of INTERCO common stock were sold on such Exchange. Unless and until any such outstanding certificates for common stock of College shall be surrendered for conversion, no dividend or other distribution payable to holders of record of common stock of INTERCO at or after the Merger Date shall be paid to the

holders of such outstanding certificates for common shares of College but upon surrender of such outstanding certificates as aforesaid there shall be paid to the record holder of the certificates for common stock of INTERCO delivered in exchange therefor the dividends and other distribution (without interest) that have theretofore become payable with respect to the common stock of INTERCO represented by said certificates delivered upon such surrender and exchange. Dividends and other distributions in respect of shares of INTERCO common stock held by the Conversion Agent for delivery upon presentation of non-surrendered College shares shall be held by the Conversion Agent for the account of such former shareholders of College.

3.4 All shares of common stock of INTERCO for which shares of common stock of College are exchanged pursuant hereto shall be deemed to be transferred in full satisfaction of all rights pertaining to such shares of College common stock, including any obligation of College or the Surviving Corporation to pay such dividends, if any, as may have been properly declared by College in respect of its common stock payable to shareholders of record as of a date prior to the Merger Date which remain unpaid at the Merger Date.

3.5 All shares of common stock of INTERCO, to be transferred in exchange for shares of common stock of College as above provided, shall be validly issued, fully paid and nonassessable.

ARTICLE IV

4.1 If the Agreement and Plan of Reorganization, dated as of June 24, 1974, executed by the parties hereto simultaneously herewith, is terminated, then this Agreement of Merger shall simultaneously terminate without further action by the Constituent Corporations. In the event of such termination the Board of Directors of each of the Constituent Corporations shall direct its officers not to file this Agreement of Merger as provided above notwithstanding favorable action on this Agreement of Merger by the stockholders of College.

ARTICLE V

5.1 This Agreement of Merger may be executed in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

5.2 Any of the provisions of this Agreement of Merger may be waived or amended at any time by the parties hereto, prior to or after the vote hereon of the stockholders of College, by agreement in writing approved by the Board of Directors of each party and executed in the same manner (but not necessarily by the same persons) as this Agreement of Merger, provided that any such waiver or amendment effected after the last vote of the stockholders of College hereon shall not, in the judgment of the Board of Directors of College, affect materially and adversely the benefits of College's stockholders intended under this Agreement of Merger, unless such waiver or amendment is subsequently approved by College's stockholders.

IN WITNESS WHEREOF, MA Inc. and College have caused their respective corporate seals to be hereunto affixed and these presents to be signed by their respective officers thereunto duly authorized, all as of the day and year aforesaid.

INTERCO-MA Incorporated

By W. L. EDWARDS, JR.
W. L. Edwards, Jr., *President*

(Corporate Seal)

ATTEST:

RONALD L. AYLWARD
Ronald L. Aylward, *Secretary*

College-Town, Inc.

By GERALD SIBLEY
Gerald Sibley, *President*

(Corporate Seal)

ATTEST:

ARTHUR M. SIBLEY
Arthur M. Sibley, *Clerk*

Mass. General Laws Chapter 156B

Sections 85-98

85. Dissenting stockholder; right to demand payment for stock; exception

A stockholder in any corporation organized under the laws of Massachusetts which shall have duly voted to consolidate or merge with another corporation or corporations under the provisions of sections seventy-eight or seventy-nine who objects to such consolidation or merger may demand payment for his stock from the resulting or surviving corporation and an appraisal in accordance with the provisions of sections eighty-six to ninety-eight, inclusive, and such stockholder and the resulting or surviving corporation shall have the rights and duties and follow the procedure set forth in those sections. This section shall not apply to the holders of any shares of stock of a constituent corporation surviving a merger if, as permitted by subsection (c) of section seventy-eight, the merger did not require for its approval a vote of the stockholders of the surviving corporation.

APPRAISAL

86. Sections applicable to appraisal; prerequisites

If a corporation proposes to take a corporate action as to which any section of this chapter provides that a stockholder who objects to such action shall have the right to demand payment for his shares and an appraisal thereof, sections eighty-seven to ninety-eight, inclusive, shall apply except as otherwise specifically provided in any section of this chapter. Except as provided in sections eighty-two and eighty-three, no stockholders shall have such right unless (1) he files with the corporation written objection to the proposed action before the taking of the vote thereon and (2) his shares are not voted in favor of the proposed action.

87. Statement of rights of objecting stockholders in notice of meeting; form

The notice of the meeting of stockholders at which the approval of such proposed action is to be considered shall contain a statement of the rights of objecting stockholders. The giving of such notice shall not be deemed to create any rights in any stockholder receiving the same to demand payment for his stock, and the directors may authorize the inclusion in any such notice of a statement of opinion by the management as to the existence or non-existence of the right of the stockholders to demand payment for their stock on account of the proposed corporate action. The notice may be in such form as the directors or officers calling the meeting deem advisable, but the following form of notice shall be sufficient to comply with this section:

"If the action proposed is approved by the stockholders at the meeting and effected by the corporation, any stockholder who files with the corporation written objection thereto before the taking of the vote on the approval of such action and whose shares are not voted in favor of such action has or may have the right to demand in writing from the corporation (*or, in the case of a consolidation or merger, the name of the resulting or surviving corporation shall be inserted*), within twenty days after the date of mailing to him of notice in writing that the corporate action has become effective, payment for his shares and an appraisal of the value thereof. Such corporation and any such stockholder shall in such cases have the rights and duties and shall follow the procedure set forth in sections 88 to 98, inclusive, of chapter 156B of the General Laws of Massachusetts."

88. Notice of effectiveness of action objected to

The corporation taking such action, or in the case of a merger or consolidation the surviving or resulting corporation, shall, within ten days after the date on which such corporate action became effective, notify each stockholder who filed written objection thereto with such corporation before the taking of the vote on the approval of such action and whose shares were not voted in favor of the approval of such action, that the action approved at the meeting of the corporation of which he is a stockholder has become effective. The notice shall be sent by registered or certified mail, addressed to the stockholder at his last known address as it appears in the records of the corporation. Added by St.1964,c.723,•1.

89. Demand for payment; time for payment

If any such stockholder shall within twenty days after the date of mailing of a notice under subsection (e) of section eighty-two, subsection (f) of section eighty-three, or section eighty-eight demand in writing from the corporation taking such action, or in the case of a consolidation or merger from the resulting or surviving corporation, payment for his stock, the corporation upon which such demand is made shall pay to him the fair value of his stock within thirty days after the expiration of the period during which such demand may be made.

90. Demand for determination of value; bill in equity; venue

If during the period of thirty days provided for in section eighty-nine the corporation upon which such demand is made and any such objecting stockholder fail to agree as to the value of such stock, such corporation or any such stockholder may within four months after the expiration of such thirty-day period demand a determination of the value of the stock of all such objecting stockholders by a bill in equity filed in the superior court in the county where the corporation in which such objecting stockholder held stock had or has its principal office in the commonwealth.

91. Parties to suit to determine value; service

If the bill is filed by the corporation, it shall name as parties respondent all stockholders who have demanded payment for their shares and with whom the corporation has not reached agreement as to the value thereof. If the bill is filed by a stockholder, he shall bring the bill in his own behalf and in behalf of all other stockholders who have demanded payment for their shares and with whom the corporation has not reached agreement as to the value thereof, and service of the bill shall be made upon the corporation by subpoena with a copy of the bill annexed. The corporation shall file with its answer a duly verified list of all such other stockholders, and such stockholders shall thereupon be deemed to have been added as parties to the bill. The corporation shall give notice in such form and returnable on such date as the court shall order to each stockholder party to the bill by registered or certified mail, addressed to the last known address of such stockholder as shown in the records of the corporation, and the court may order such additional notice by publication or otherwise as it deems advisable. Each stockholder who makes demand as provided in section eighty-nine shall be deemed to have consented to the provisions of this section relating to notice, and the giving of notice by the corporation to any such stockholder in compliance with the order of the court shall be a sufficient service of process on him. Failure to give notice to any stockholder making demand shall not invalidate the proceedings as to other stockholders to whom notice was properly given, and the court may at any time before the entry of a final decree make supplementary orders of notice.

92. Decree determining value and ordering payment; valuation date

After hearing the court shall enter a decree determining the fair value of the stock of those stockholders who have become entitled to the valuation of and payment for their shares, and shall order the corporation to make payment of such value, together with interest, if any, as hereinafter provided, to the stockholders entitled thereto upon the transfer by them to the corporation of the certificates representing such stock. For this purpose, the value of the shares shall be determined as of the day preceding the date of the vote approving the proposed corporate action and shall be exclusive of any element of value arising from the expectation or accomplishment of the proposed corporate action.

93. Reference to special master

The court in its discretion may refer the bill or any question arising thereunder to a special master to hear the parties, make findings and report the same to the court, all in accordance with the usual practice in suits in equity in the superior court.

94. Notation on stock certificates of pendency of bill

On motion the court may order stockholder parties to the bill to submit their certificates of stock to the corporation for notation thereon of the pendency of the bill, and may on motion dismiss the bill as to any stockholder who fails to comply with such order.

95. Costs; interest

The costs of the bill, including the reasonable compensation and expenses of any master appointed by the court, but exclusive of fees of counsel or of experts retained by any party, shall be determined by the court and taxed upon the parties to the bill, or any of them, in such manner as appears to be equitable, except that all costs of giving notice to stockholders as provided in this chapter shall be paid by the corporation. Interest shall be paid upon any award from the date of the vote approving the proposed corporate action, and the court may on application of any interested party determine the amount of interest to be paid in the case of any stockholder.

96. Dividends and voting rights after demand for payment

Any stockholder who has demanded payment for his stock as provided in this chapter shall not thereafter be entitled to notice of any meeting of stockholders or to vote such stock for any purpose and shall not be entitled to the payment of dividends or other distribution on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the date of the vote approving the proposed corporate action) unless:

- (1) A bill shall not be filed within the time provided in section ninety;
- (2) A bill, if filed, shall be dismissed as to such stockholder; or
- (3) Such stockholder shall with the written approval of the corporation, or in the case of a consolidation or merger, the resulting or surviving corporation, deliver to it a written withdrawal of his objections to and an acceptance of such corporate action.

97. Status of shares paid for

The shares of the corporation paid for by the corporation pursuant to the provisions of this chapter shall have the status of treasury stock, or in the case of a consolidation or merger the shares or the securities of the resulting or surviving corporation into which the shares of such objecting stockholder would have been converted had he not objected to such consolidation or merger shall have the status of treasury stock or securities.

98. Exclusive remedy; exception

The enforcement by a stockholder of his right to receive payment for his shares in the manner provided in this chapter shall be an exclusive remedy except that this chapter shall not exclude the right of such stockholder to bring or maintain an appropriate proceeding to obtain relief on the ground that such corporate action will be or is illegal or fraudulent as to him.

- (1) A bill shall not be filed within the time provided in section ninety;
- (2) A bill, if filed, shall be dismissed as to such stockholder; or
- (3) Such stockholder shall with the written approval of the corporation, or in the case of a consolidation or merger, the resulting or surviving corporation, deliver to it a written withdrawal of his objections to and an acceptance of such corporate action.



